

**Ohio Office of Budget
and Management**

State of Ohio
Ted Strickland
Governor



OHIO

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FOR THE FISCAL YEAR
ENDED JUNE 30, 2007

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OHIO

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FOR THE FISCAL YEAR
ENDED JUNE 30, 2007

STATE OF OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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INTRODUCTORY SECTION



April 28, 2008

To the Honorable Ted Strickland, Governor,
Members of the Ohio General Assembly, and
Citizens of Ohio:

It is my privilege to present the State of Ohio's *Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2007, prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Office of Budget and Management (OBM) prepared this report pursuant to Section 126.21, Ohio Revised Code. The report includes the basic financial statements, which provide an overview of the State's financial position and the results of financial operations. Responsibility for the accuracy of the data presented, as well as the completeness and fairness of the presentation, including all disclosures, rests with OBM.

To the best of our knowledge and belief, the information presented is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the State of Ohio. All disclosures necessary for a reasonable understanding of the State's financial activities have been included.

This letter of transmittal is intended to complement management's discussion and analysis (MD&A) and should be read in conjunction with it. The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements.

The reporting format for our CAFR is significantly different from the way the State more typically presents its finances on a non-GAAP budgetary basis. The most obvious difference is that the "General Fund" in the CAFR includes more than just the State's General Revenue Fund (GRF). The General Fund also includes other funds such as the reimbursement-supported funds used for activities administered by state agencies and departments for which special revenue or proprietary fund classifications were considered to be inappropriate.

The State's management is responsible for establishing and maintaining internal control

designed to ensure that the State's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

INDEPENDENT AUDIT RESULTS

In compliance with Ohio Revised Code, an annual financial audit has been performed by the Office of the Auditor of State. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. The auditor's unqualified opinion is included in the Financial Section of this report. This opinion indicates there was no limitation on the scope of the auditors' examination and the financial statements were presented fairly, in all material respects, in conformity with GAAP.

Additionally, the State's *Single Audit* report is audited by the Office of the Auditor of State to meet the requirements of the federal Single Audit Act Amendments of 1996 and related Office of Management and Budget (OMB) Circular A-133. The *Single Audit* report will be issued separately from the State's CAFR.

PROFILE OF THE GOVERNMENT

History

Ohio's first constitution was adopted in 1802, and Ohio entered the union in 1803. Ohio's present constitution was modified by a state constitutional convention in 1851 and has since been amended on numerous occasions. The Constitution establishes a state governmental structure similar to the federal model, with three separate branches of government — executive, legislative, and judicial.

Governmental Structure

The executive branch consists of the Governor and Lieutenant Governor, who are jointly elected, and four additional statewide elected officials: the Attorney General, the Auditor of State, the Secretary of State, and the Treasurer of State. All of these officials are elected to four-year terms. The State Board of Education is also part of the executive branch. Approximately 100 departments, agencies, boards, and commissions are part of the executive branch of government and receive appropriations from the legislature, along with several judicial and legislative agencies. An organizational chart of state government can be found on pages x and xi.

The state legislature in Ohio is referred to as the General Assembly and consists of two separate chambers, the Senate, a 33-member body, and the House of Representatives, a 99-member body. Each member of the General Assembly is elected to represent the residents of a geographical district for a specified term. Members of Ohio's General Assembly are subject to term-limits; senators are restricted to serving two four-year terms, and representatives are restricted to serving four two-year terms. Each chamber has a presiding officer to call the chamber to order and direct the calendar of events. The presiding officer in the Senate is the President of the Senate, and the presiding officer of the House of Representatives is the Speaker of the House. A new General Assembly is convened in January of each odd-numbered year.

Within the Judicial system, the Supreme Court is the court of last resort in Ohio. Most of its cases are appeals from the twelve district courts of appeal. The chief justice and six justices are elected to six-year terms on a nonpartisan ballot.

Reporting Entity and Its Services

For financial reporting purposes, the State's reporting entity consists of (1) the primary government, (2) component units for which the primary government is financially accountable (blended component units), and (3) other component units for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete (discrete component units). The criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, are used to determine the organizations for which the State is financially accountable. NOTE 1A. to the financial statements explains more fully which financial activities are included in the State's reporting entity.

The State provides a wide range of services and support to its citizenry that are accounted for in the following functions or programs: primary, secondary and other education, higher education support,

public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, community and economic development, workers' compensation, lottery, unemployment compensation, tuition credits, liquor control, and other business-type activities.

Retirement Systems

Employees of the primary government or its component units may be eligible to participate in the Ohio Public Employees Retirement System, the State Teachers Retirement System of Ohio, the State Highway Patrol Retirement System, or the Alternative Retirement Plan. Further information on the State's participation in the different retirement systems can be found in NOTE 9 to the financial statements.

Risk Management

As discussed in NOTE 1P. to the financial statements, the State's primary government is self-insured for claims under the Ohio Med Health, United Healthcare, and Aetna plans and for vehicle liability while it has placed public official fidelity bonding with a private insurer. The State self-funds tort liability and most property losses on a pay-as-you-go basis; however, selected state agencies have acquired private insurance for their property losses. Also, the State's primary government and its component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their workers' compensation liability.

Budgetary Control and Accounting System

Ohio's Constitution requires the State to have a balanced budget. The State's biennium budget begins on July 1 of odd-numbered years and ends 24 months later on June 30. The State maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the General Assembly. Budgets are entered on the statewide accounting system once the appropriations bill becomes law. Controls are maintained first at the agency level, with additional control at the fund and appropriation level to ensure that expenditures do not exceed authorized limits.

The State's non-GAAP budgetary financial statements are prepared on a modified cash basis of accounting. This means that revenues are recognized when cash is received and expenditures are recognized when cash is paid. Encumbrances, reservations of appropriation authority as of June 30, the end of the State fiscal year, are reflected as expenditures on the budgetary basis of accounting.

Budget-to-actual comparisons can be found in this report for each governmental fund for which an appropriated annual budget has been adopted. For

the General Fund and major special revenue funds, these comparisons are presented as part of the basic financial statements. For other budgeted governmental funds with appropriated annual budgets, budget-to-actual comparisons are in the nonmajor governmental funds section of the CAFR.

Additional discussion of the budgetary and GAAP bases of accounting is provided in NOTE 1 to the financial statements.

The accounting system maintains all non-GAAP budgetary basis transactions and most GAAP basis adjustments. In addition to the information obtained from the accounting system for financial reporting, selected financial information provided by the State's agencies and departments is compiled to complete the GAAP basis financial statements.

Differences between the two bases of accounting (GAAP vs. non-GAAP budgetary) include: 1) entity differences — the GAAP reporting entity may include organizations such as financing authorities and other component units that are not included in the State's budget; 2) basis differences — the GAAP basis results in the reporting of accruals while the non-GAAP budgetary basis results in the reporting of cash transactions; and 3) timing differences — for example, GAAP recognizes expenditures for payables for goods and services received, whereas the non-GAAP budgetary basis considers unliquidated encumbrances as expenditures. A reconciliation between the GAAP basis and non-GAAP budgetary basis fund balances is presented in NOTE 3 to the financial statements.

ECONOMIC OVERVIEW AND OUTLOOK

The economy expanded for the sixth consecutive year in 2007. Growth in real gross domestic product (GDP) was 2.2 percent in 2007, compared with 2.9 percent in 2006. The Consumer Price Index increased 2.9 percent in 2007, compared with 3.2 percent in 2006. The Federal Reserve began a series of progressively more far-reaching policy actions in September 2007 in an effort to limit the effects of financial distress on the economy. As 2008 began, the U.S. economy appeared to be in or headed for a recession.

Ohio employment decreased by 5,600 jobs from December 2006 to December 2007. The change in Ohio employment during 2006 was revised to a decrease of 9,600 jobs from an increase of 8,900 jobs, as reported in January 2007. Manufacturing employment fell by 17,000 jobs in 2007, reflecting ongoing weakness in the primary metals and transportation equipment industries. Outside of manufacturing, employment in leisure and hospitality, financial activities, construction, and other services sectors posted declines. Employment increased in the educational and health services,

professional and business services, trade, transportation, and utilities sectors.

Despite the weakening in Ohio labor markets, Ohio personal income increased 4.7 percent in 2007, up from 4.4 percent in 2006 and four percent in 2005. U.S. personal income increased 6.2 percent in 2007, versus 6.6 percent in 2006. On a per capita basis, personal income grew approximately 4.7 percent in Ohio and 5.2 percent in the U.S. wage and salary disbursements grew 3.7 percent in Ohio and 5.7 percent in the U.S.

Economic growth nationally was driven primarily by consumer spending. Growth in real personal consumption expenditures was little changed in 2007 – 2.9 percent versus 3.1 percent in 2006 – but slowed during the year. Continued growth in employment and average hourly earnings pushed incomes higher, but at a progressively slower pace. Total employment increased by 105,000 jobs per month on average during 2007, down significantly from 175,000 during 2006. A slackening in hiring pushed the unemployment rate up from a low of 4.4 percent in March 2007 to five percent in December. Historically, increases in the unemployment rate of .6 percentage points or more usually have been associated with recession. Average hourly earnings growth slowed to 3.7 percent from December 2006 to December 2007, compared with 4.3 percent during the previous year.

Growth in real consumer spending slowed during the year due to

- the 180 percent increase in the price of gasoline during the previous six years that reduced discretionary income,
- the continued slide in housing construction, sales, and prices,
- heightened volatility in financial markets that created concern about the economy and impaired the ability and willingness of lenders to extend credit, and
- the deterioration in labor markets.

Real business fixed investment partially cushioned the blow to the economy in 2007 from the ongoing slide in housing, yet still decelerated to 4.7 percent from 6.6 percent in 2006. Growth in investment in equipment and software slowed from 5.9 percent to 1.3 percent, offsetting the acceleration in investment in nonresidential structures from 8.4 percent to 12.9 percent. Investment was fueled by

- ample corporate cash flow and wide profit margins,
- an abundant supply of credit on largely favorable terms (through mid-year),
- continued, albeit slower, growth in employment, and

- expanding markets overseas as well as domestically.

A critical development in the economy during 2007 was the severe deterioration in housing-related activity and its effects on related sectors. Real investment in residential structures decreased 17 percent in 2007, after falling 4.6 percent in 2006. The sector is hobbled by high inventories of unsold houses, falling prices in most markets, a rising number of home mortgage loans that are past due, and a rising number of foreclosures.

The number of new single-family houses for sale has decreased 18 percent from its peak in mid-2007, but remains approximately 60 percent above the low just before the start of the 2001 recession. Relative to the pace of sales, the inventory of new homes on the market remains near an all-time high. After rising at a mid single-digit percentage rate for years, prices of houses in Ohio rose just 1.2 percent in 2006 and fell .6 percent in 2007 on a fourth quarter to fourth quarter basis—the first such decline since the 1981-82 recession, according to the Federal Home Loan Mortgage Corporation. The percentage of mortgage loans in Ohio that were past due in the fourth quarter of 2007 increased to 7.7 percent—the highest level since the fourth quarter of 1985. The percentage of mortgages in Ohio on which foreclosure began during the quarter rose to 1.2 percent and on which foreclosure was underway rose to 3.9 percent—in each case, the highest level in the 29 years during which data have been recorded.

Even though investment in residential structures comprises only a small portion of total gross domestic product, the effects of fluctuations in housing activity spread throughout the economy to

- suppliers to the construction industry,
- the realtor industry,
- retailers in the home furnishings and related segments, and
- consumer spending beyond home-related purchases, as slower home price appreciation and outright declines in home values in some locations create a negative wealth effect.

The U.S. trade deficit narrowed for the second consecutive year in 2007 for the first time since the 1990-91 recessions. Real net exports increased by \$94 billion at an annual rate from the fourth quarter of 2006 to the fourth quarter of 2007 after increasing by \$45 billion during the previous year. Reflecting the effects of strong economic growth overseas on exports, slowing growth domestically on imports, and further depreciation in the dollar, export growth increased and import growth slowed in 2007. The growth rate of U.S. exports has exceeded the growth

rate of imports on a year-over-year basis since the second quarter of 2005. The dollar is projected to remain weak in 2008, as

- U.S. interest rates remain below interest rates overseas and
- growth of foreign economies exceeds growth of the U.S. economy.

Inflation spiked higher late in 2007 as a result of rising prices for energy and food. On average for the year, however, consumer prices increased by 2.9 percent, down slightly from 3.2 percent and 3.4 percent in 2006 and 2005, respectively. The weak dollar and rising commodity prices have raised concern about inflation. But monetary policy in recent years and the prospect of declining aggregate demand suggest that the rate of inflation will remain low to moderate in 2008.

A majority of economic forecasters has concluded that the economy is in a recession, according to the *Blue Chip Financial Forecasts* report. Global Insight, for example, predicts that real GDP will contract in the first two quarters of 2008 before rebounding at a two percent to 2.5 percent in the last two quarters of the year. Much will depend on the effectiveness of actions taken by the Federal Reserve to ensure financial market liquidity and economic stimulus measures enacted by Congress and signed into law by the President.

The signs of recession are numerous. Private sector employment has decreased in three consecutive months as of February 2008. Initial and continuing jobless claims have spiked upward and the unemployment rate has increased significantly from its low. Housing permits are down substantially. The composite leading economic indexes from the Conference Board and the Economic Research Cycle Institute are falling. The S&P 500 stock price index decreased during four consecutive months as of March 2008. The difference between yields on corporate bonds and Treasury notes has increased sharply. In addition to the steep reductions in short-term interest rates by the Federal Reserve starting in September 2007, these developments have served as reliable signs of recession since World War II.

Two keys to the outlook again in 2008 will be the effects of the downturn in housing on consumer spending and the extent of the slowdown in business investment. Consumer spending is expected to flatten out in the first half of 2008, before rebounding in the second half.

Business investment is predicted to decrease during 2008, as corporate cash flow weakens further. Investment in equipment and software will be more negatively affected by the soured outlook for consumer spending and housing-related activity

than positively affected by bonus depreciation features of the economic stimulus package. Investment in nonresidential structures will be undermined by a tightening in financing availability and terms and a more modest need for extra retail and office space.

International trade is projected to add to growth again in 2008 and 2009, as growth in exports handily outpaces growth in imports. The multi-year decline in the foreign exchange value of the dollar, coupled with relatively strong overseas economies, will bolster U.S. exports, while slower growth in demand in the U.S. will continue to restrain growth in imports.

Global Insight also expects the foreign exchange value of the dollar to decrease modestly further in 2008. Even with the narrowing in the trade deficit, the still very large outflow of dollars leaves the currency vulnerable to a small decrease in the demand by foreign investors for dollar-denominated assets, which could weaken as growth, inflation, and interest differentials between the U.S. and other major economies remain against the U.S.

The consensus is for at least modest further reductions in short-term interest rates by the Federal Reserve. Long-term interest rates projected remain near recent levels or slightly lower during 2008. Yields on corporate bonds will be affected by assessments of the health of the economy and could increase relative to Treasury note yields during 2008 as concerns about the economy build.

Ohio employment growth is projected to increase .3 percent in 2008 and .8 percent in 2009 on a fourth quarter to fourth quarter basis, according to Global Insight. Those increases would end a two-year stretch of declines at an annual rate of .2 percent, returning growth to the modest pace experienced during 2004 and 2005. Employment in professional and business services, education and health services, and leisure and hospitality is expected to grow at the fastest rate. Employment in construction and manufacturing is projected to decline in both 2008 and 2009.

Personal income growth is projected by Global Insight to slow from 6.2 percent in 2007 to 4.3 percent and four percent in 2008 and 2009, respectively, as employment is weak and compensation grows more slowly. A similar pattern in Ohio would cut growth from 4.7 percent in 2007 to below 3.5 percent in 2008 and 2009.

Ohio retail sales are projected to slow from an estimated .5 percent increase in 2007 to .3 percent in 2008, improving to 2.2 percent in 2009. Car registrations are projected to fall 5.3 percent in 2008 and increase 2.8 percent in 2009, after falling by an

estimated 2.3 percent in 2007. Housing starts are projected to decline 19.9 percent in 2008, before rebounding 32.7 percent in 2009. Ohio housing starts fell by 25 percent in 2007.

Rocked by ongoing deterioration in the housing sector, high energy prices, and turmoil in financial markets, the U.S. economy appears on the verge of recession in early 2008. Falling employment, steep declines in consumer confidence, and flat or falling retail sales, industrial production, and leading economic indicators are consistent with the onset of recession. Monetary and fiscal stimulus actions by the federal government will support the economy in the second half of the year, but may not be sufficient to avert a cyclical downturn in the economy.

MAJOR INITIATIVES – Living Within Our Means and Investing in What is Most Important

Continued Implementation of Comprehensive Tax Reform

In June 2005, Amended Substitute House Bill 66 (HB 66), the biennial budget bill, was signed into law. As described extensively in prior financial reports, this tax reform was a significant overhaul of Ohio's state and local tax structure. The entire tax reform package was designed to spur strong business development and new jobs. The reforms are being phased-in between FY's 2006 and 2010 and include

- A 21-percent reduction in the income tax, phased in over five years;
- Elimination of the tangible personal property tax for general businesses and for telecommunications companies, phased in over four- and five year periods, respectively;
- Elimination of the corporate franchise tax (except for financial institutions and their affiliates) over a five-year period; and
- Enactment of a commercial activity tax (CAT), phased in over five years.

By FY 2010, the estimated reductions in state taxes will reach \$2.4 billion. State taxes are not the only taxes reduced in this reform. The elimination of the local general business tangible personal property tax increases the size of the overall tax cut. Total tax reductions will reach \$3.7 billion by FY 2010 when the reform package is fully phased in and in the short term has limited the growth available to support the State's budget.

State Operating Budget

Reflecting the impact of tax reform discussed above, General Revenue Fund (GRF) appropriations for FY 2008 – FY 2009 that were enacted in HB 119 represent the slowest growth biennium of the last 42

years, with a combined two year GRF growth rate of 4.7 percent over FY 2007. As a result of this slow growth, many agencies will spend less from the GRF in FY 2009 than they spent in FY 2000. The majority of GRF spending increases over this time period can be attributed to increased investment in primary and secondary education and Medicaid, and ongoing costs for debt service and property tax relief programs. Similar to the FY 2006-2007 budget, the FY 2008-2009 budget reduced or held flat many of the State's GRF-funded agencies and consolidated functions or activities of several state agencies. As a result of the difficult choices made to hold the line on overall spending, Ohio managed to focus available funding on its most important priorities of primary and secondary education, higher education, and health care to those most in need.

Improved Financial Management

In response to the profound changes in Ohio's tax structure, the State will need to fundamentally change the way in which it manages scarce resources to reflect pending budget constraints. Over the coming four years, state spending reforms will include increased transparency, a focus on performance and accountability, improved financial systems management, improved cash management, targeted investment of scarce resources, and precise debt management.

Increased Transparency

Ohio will enhance the transparency of its financial position for its citizens and investors. OBM will pursue awards for excellence in budget and financial reporting through the Government Financial Officers Association (GFOA). For the first time, the FY 2008 FY 2009 executive budget will present revenue and spending projections for four years (FY 2008 through FY 2011). Prior executive budgets presented only two years of financial data. The revenue constraint enacted in HB 66 tax reforms require a clear presentation of Ohio's near term financial position.

Accountability and Performance

Ohio will manage financial resources using a variety of accountability and performance measures to improve efficiency, accountability and results of government programs. It will focus on clear goal setting in the budget process, identifying increased efficiency in the State's regulatory process, improved inter-agency collaborations, performance contracts for state agencies, and enhanced performance reporting.

Improved Financial Systems Management

Ohio will improve its financial management and decision making when it completes deployment of a comprehensive enterprise information system, known as the Ohio Administrative Knowledge System (OAKS), throughout state government.

When complete, the enterprise installation will be the most comprehensive enterprise IT system operating at a state level in the nation. The first two stages, human resource and financial management and reporting have been implemented. The final stage, enhanced budget decision and management tools, is scheduled to go live in July 2008.

To enhance collections and revenue management, the Department of Taxation will deploy the State Taxation Revenue and Accounting System (STARS). STARS provides an integrated tax collection and audit system and replaces the State's existing separate tax software and administration systems for the twenty-four different taxes collected by the State. STARS will make it possible for the Department of Taxation to provide an improved quality of taxpayer services and enhance the compliance activities of the Department.

Cash Management

The Treasurer of State and OBM are working cooperatively to update the State's cash flow models and procedures to maximize resources available. The offices will examine seasonal revenue collections in the State's various funds, and unique spending patterns in each state agency to develop an updated cash flow model. The updated cash flow model will enable the Treasurer of State and OBM to revise their investment strategies for improved return on investment of State resources.

Aggressive Management of Ohio Debt Structure and Bond Rating

Ohio's long history of strong financial management is reflected in its top ranked bond rating position. Ohio is among the top ten states in achieving a AA1 bond rating from Moody's. Recently, three issues have resulted in a negative outlook for the State: (1) reporting issues related to the Bureau of Workers' Compensation; (2) tax changes; and (3) performance of the overall economy. We are committed to taking aggressive action to deal with these issues and assure that the State remains in its top notch position with rapid recognition of financial challenges, and tight controls over State resources.

Investment in Strategic Priorities

Ohio's investments in strategic priorities are focused tightly on two overarching goals critical to the long term stability and growth of the economy: (1) to boost personal income and (2) to increase the education attainment level of Ohioans. These two strategies will begin to turnaround Ohio's economy and propel the State into the 21st century. To do so, Ohio will invest in Ohio's traditional economic strengths, such as energy production and entrepreneurship, and programs that ensure Ohio has the most educated workforce possible. Targeted investment priorities include access to

high-quality early care and education, schools that work for every child, expanded access to Ohio's colleges and universities, Ohio's regional economies and globally competitive industries, and access to affordable health care.

Investment in Primary and Secondary Education

Through HB 119 the Strickland Administration sought to enhance equity and reduce disparities between Ohio school districts by focusing more resources to Poverty Based Assistance and Parity Aid. In addition, all school districts benefited from the policies within HB 119 as per pupil basic aid amount increased by 3 percent, the largest such increase in five years. As a result of the funding contained in HB 119, the Foundation Funding formula increases the state share percentage from 44.8 percent to 48 percent over the biennium, with individual districts seeing a more dramatic increase in their respective state share percentage as a result of the formula changes.

In addition to increasing per pupil basic aid and reducing disparities, the budget also provided a hold harmless guarantee to prevent any district from receiving less state aid than what was received in previous fiscal years regardless of whether their enrollment declined. This guarantee is intended to provide stability and reduce potential adverse impacts from both extensive formula changes and HB 66 tax reform policies.

Tobacco Securitization and Expanded Property Tax Relief

HB 119 also authorized the State to securitize 100 percent of the future payments to Ohio under the Tobacco Master Settlement Agreement (MSA) over the next 40 or more years. This securitization of the tobacco settlement receipts (TSRs) generated more than \$5 billion in net proceeds, with their use limited to the twin priorities of funding the capital needs of Ohio's elementary, secondary, and higher education facilities. By generating savings on debt service as a result of replacing general obligation debt as the funding source for primary, secondary, and higher education facilities, HB 119 provides an average of \$400 in additional property tax relief to 775,000 Ohioans through an expansion of the homestead exemption.

Increased Investment in Higher Education

To supplement the general operations of the State's 13 four-year universities, 24 regional branch campuses, 15 community colleges, and eight technical colleges, HB 119 appropriated over \$3.52 billion in the fiscal years 2008-2009 biennium for unrestricted operating subsidies through the State Share of Instruction (SSI) line item. Specifically, the budget appropriated \$1.68 billion in fiscal year 2008 (an increase of 5.6 percent over fiscal year 2007) and \$1.84 billion in fiscal year 2009 (an increase of

9.8 percent over fiscal year 2008). Of these amounts, the budget earmarked \$58 million in fiscal year 2008 and \$60 million in fiscal year 2009 to be distributed based on each campus's proportional share of the total in-state undergraduate tuition in fiscal year 2007. The remaining funds are first used to guarantee that all campuses receive the same amount of SSI (excluding the earmarked funding) they received in the prior year. They are then used to provide uniform increases (two percent in fiscal year 2008 and ten percent in fiscal year 2009) for the four-year universities and their branch campuses and varying increases for two-year community and technical colleges based on a formula developed by the Board of Regents that takes into account the enrollment growth at community and technical colleges. To receive these SSI subsidy increases, each campus must demonstrate, through increasing internal efficiencies, a one percent savings in fiscal year 2008 and a three percent savings in fiscal year 2009 as certified by the Chancellor of the Board of Regents.

In addition to increasing the state share of instruction, HB 119 froze in-state undergraduate tuition in both fiscal years 2008 and 2009. As a result, the in-state undergraduate tuition for each campus will remain at the fiscal year 2007 level over the biennium. In fiscal year 2007, four-year campuses charged an average of \$8,246 for a full-time Ohio resident undergraduate student and two-year campuses charged an average of \$3,565 per full-time student. For all campuses the average in-state undergraduate tuition was \$6,224 per full-time student in fiscal year 2007. The freeze in tuition represents a tremendous relief to students and their families who have experienced double-digit percentage increases in tuition in recent years.

Expansion of Medicaid Coverage

In the first major expansion of eligibility since fiscal year 2000, HB 119 expanded Medicaid coverage to children whose parents earn up to 300 percent of federal poverty limit (FPL), to foster children who have been emancipated up to age 21, and to pregnant women with incomes up to 200 percent of FPL. In addition, parents who have an income over 300 percent of the poverty level now have the opportunity to participate in a Medicaid buy-in option for their uninsured children. Also, disabled adults can buy their own health care coverage through the Medicaid program. These expansions will ensure that Ohioans will no longer have to choose between work and affordable health care.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Ohio for its

comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

In conclusion, I wish to express my appreciation to the staffs of the various state agencies whose time and dedicated efforts made this report possible. I encourage you to access Ohio's *Comprehensive Annual Financial Report* and *Budgetary Financial Report* at <http://www.obm.ohio.gov>.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Pari Sabety". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

J. Pari Sabety
Director

STATE OF OHIO OFFICIALS

As of June 30, 2007

EXECUTIVE

Ted Strickland
Governor

Lee Fisher
Lieutenant Governor

Marc Dann
Attorney General

Mary Taylor, CPA
Auditor of State

Richard Cordray
Treasurer of State

Jennifer Brunner
Secretary of State

LEGISLATIVE

Bill Harris
President of the Senate

Jon Husted
Speaker of the House

JUDICIAL

Thomas J. Moyer
Chief Justice
Supreme Court

STATE OF OHIO ORGANIZATION CHART

FINANCIAL REPORTING ENTITY		
PRIMARY GOVERNMENT		
<p style="text-align: center;">LEGISLATIVE</p> <p style="text-align: center;">Senate (33 Members)</p> <p style="text-align: center;">House of Representatives (99 Members)</p>	<p style="text-align: center;">EXECUTIVE</p> <p style="text-align: center;">Governor Lieutenant Governor Attorney General Auditor of State Secretary of State Treasurer of State State Board of Education (11 Elected Members, and 6 At-Large Members)</p>	<p style="text-align: center;">JUDICIAL</p> <p style="text-align: center;">Supreme Court Chief Justice and 6 Justices</p>
<p>Governmental Activities: <i>General Government:</i> Senate House of Representatives Legislative Service Commission Legislative Committees</p>	<p>Governmental Activities: <i>Primary, Secondary and Other Education:</i> Arts Council Department of Education Educational Telecommunications School for the Blind School for the Deaf State Library Board</p> <p><i>Higher Education Support:</i> Board of Regents Career Colleges and Schools Board</p> <p><i>Public Assistance and Medicaid:</i> Department of Job and Family Services</p> <p><i>Health and Human Services:</i> Department of Aging Department of Alcohol and Drug Addiction Services Department of Health Department of Mental Health Department of Mental Retardation Hispanic-Latino Affairs Commission Legal Rights Service Minority Health Commission Rehabilitation Services Commission Tobacco Use Prevention and Control Foundation Veterans' Home</p> <p><i>Justice and Public Protection:</i> Adjutant General Board of Tax Appeals Civil Rights Commission Department of Public Safety Department of Rehabilitation and Correction Department of Youth Services Ethics Commission Office of the Attorney General Public Defender Commission</p> <p><i>Environmental Protection and Natural Resources:</i> Department of Natural Resources Environmental Protection Agency Environmental Review Appeals Lake Erie Commission</p> <p><i>Transportation:</i> Department of Transportation</p>	<p>Governmental Activities: <i>Justice and Public Protection:</i> Supreme Court Judicial Conference Judiciary Court of Claims</p>

PRIMARY GOVERNMENT (Continued)

	<p><i>General Government:</i> Capitol Square Review & Advisory Board Consumers' Counsel Department of Administrative Services Department of Commerce Department of Insurance Department of Taxation Office of Budget and Management Office of the Governor Office of the Inspector General Office of the Lieutenant Governor Office of the Secretary of State Office of the Treasurer of State Public Utilities Commission Racing Commission Sinking Fund Commission Other Boards and Commissions</p> <p><i>Community and Economic Development:</i> Department of Agriculture Department of Development Expositions Commission Public Works Commission Southern Ohio Agricultural & Community Development Foundation</p> <p>Business-Type Activities: Bureau of Workers' Compensation and Industrial Commission Capitol Square Review & Advisory Board —Underground Parking Garage Department of Commerce— Liquor Control Division Department of Job and Family Services— Unemployment Compensation Program Lottery Commission Office of the Auditor of State Tuition Trust Authority</p>	
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COMPONENT UNITS

<p>Blended Component Units: Ohio Building Authority (included in Governmental and Business-Type Activities) State Highway Patrol Retirement System (included as Fiduciary Activities)</p> <p>Discretely Presented Component Units: <i>Financing Authorities:</i> Ohio Air Quality Development Authority Ohio Water Development Authority</p> <p><i>Commissions:</i> Cultural Facilities Commission School Facilities Commission eTech Ohio Commission</p>	<p>Discretely Presented Component Units (continued): <i>State Universities:</i> Bowling Green State University Cleveland State University Miami University Ohio University University of Akron University of Toledo Youngstown State University</p> <p><i>State Community Colleges:</i> Cincinnati State Columbus State Northwest State Southern State Washington State</p> <p style="text-align: right;"> Central State University Kent State University Ohio State University Shawnee State University University of Cincinnati Wright State University Clark State Edison State Owens State Terra State </p>
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JOINT VENTURES

Great Lakes Protection Fund
 Local Community Colleges
 Technical Colleges

RELATED ORGANIZATIONS

Higher Education Facility Commission
 Ohio Housing Finance Agency
 Ohio Legal Assistance Foundation
 Ohio Turnpike Commission
 Petroleum Underground Storage Tank
 Release Compensation Board

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Ted Strickland, Governor
State of Ohio
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Ohio (the State) as of and for the year ended June 30, 2007, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following organizations:

Primary Government: Office of the Auditor of State; Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio; Office of Financial Incentives; State Treasury Asset Reserve of Ohio; Treasurer of State Lease Revenue Bonds; and Tuition Trust Authority.

Blended Component Units: Ohio Building Authority and State Highway Patrol Retirement System.

Discretely Presented Component Units: Bowling Green State University; Central State University; Cleveland State University; Kent State University; Miami University; Ohio State University; Ohio University; Shawnee State University; University of Akron; University of Cincinnati; University of Toledo; Wright State University; Youngstown State University; Cincinnati State Community College; Clark State Community College; Columbus State Community College; Edison State Community College; Northwest State Community College; Owens State Community College; Southern State Community College; Terra State Community College; Washington State Community College; and Ohio Water Development Authority.

In addition, we did not audit the financial statements of the Public Employees Retirement System, Police and Fire Pension Fund, State Teachers Retirement System, and School Employees Retirement System, whose assets are held by the Treasurer of State and are included as part of the State's Aggregate Remaining Fund Information.

These financial statements reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues / Additions
Governmental Activities	2%	1%
Business-Type Activities	92%	58%
Aggregate Discretely Presented Component Units	96%	92%
Aggregate Remaining Fund Information	97%	38%
Workers' Compensation	100%	100%

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these independently audited organizations is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Ohio as of June 30, 2007, and respective changes in financial position and cash flows, where applicable, and respective budgetary comparisons for the general and major special revenue funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will issue our report dated April 25, 2008 under separate cover with the State of Ohio Single Audit report, on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis and Infrastructure Assets Accounted for Using the Modified Approach, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining fund statements, individual fund schedules and statistical section are presented for additional analysis and are not a required part of the basic financial statements. We and the other auditors subjected the combining fund statements and individual fund schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, based on our audit and the reports of the other auditors, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical section to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Mary Taylor, CPA
Auditor of State

April 25, 2008

State of Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

(Unaudited)

Introduction

This section of the State of Ohio's annual financial report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2007. The management's discussion and analysis section should be read in conjunction with the preceding transmittal letter and the State's financial statements, which follow.

Financial Highlights

Government-wide Financial Statements

Net assets of the State's primary government reported in the amount of \$22.66 billion, as of June 30, 2007, increased \$3.19 billion since the previous year. Net assets of the State's component units reported in the amount of \$14.13 billion, as of June 30, 2007, increased \$1.37 billion since the end of last fiscal year. Additional discussion of the State's government-wide balances and activities, as of and for the year ended June 30, 2007, can be found beginning on page 7.

Fund Financial Statements

Governmental funds reported combined ending fund balances of \$6.72 billion that was comprised of \$348.4 million reserved for specific purposes, such as for debt service, state and local highway construction, and federal programs; \$5.73 billion reserved for nonappropriable items, such as encumbrances, noncurrent loans receivable, loan commitments, and inventories; \$1.01 billion in designations for budget stabilization and other purposes; and a \$373.3 million deficit. The balances and activities of the State's governmental funds are discussed further beginning on page 12.

As of June 30, 2007, the General Fund's fund balance was approximately \$2.26 billion, including \$60.4 million reserved for "other" specific purposes, as detailed in NOTE 17; \$626.7 million reserved for nonappropriable items; and \$1.01 billion in designations for budget stabilization and other purposes. The General Fund's fund balance increased by \$346.4 million (exclusive of a \$537 thousand decrease in inventories) or 18.1 percent during fiscal year 2007. The balances and activities of the General Fund are discussed further beginning on page 12.

Proprietary funds reported net assets of \$3.13 billion, as of June 30, 2007, an increase of \$2.6 billion since June 30, 2006. Most of this increase was due to \$2.43 billion of net increases reported for the Workers' Compensation Enterprise Fund. The balances and activities of the proprietary funds are discussed further beginning on page 15.

Capital Assets

The carrying amount of capital assets for the State's primary government increased to \$24.39 billion at June 30, 2007. This majority of the increase of \$423.3 million or 1.8 percent during fiscal year 2007 was for acquisition of land and highway network infrastructure and for the construction of buildings, land improvements, and the Ohio Administrative Knowledge System (OAKS). Further discussion of the State's capital assets can be found beginning on page 16.

Long-Term Debt — Bonds and Notes Payable and Certificates of Participation Obligations

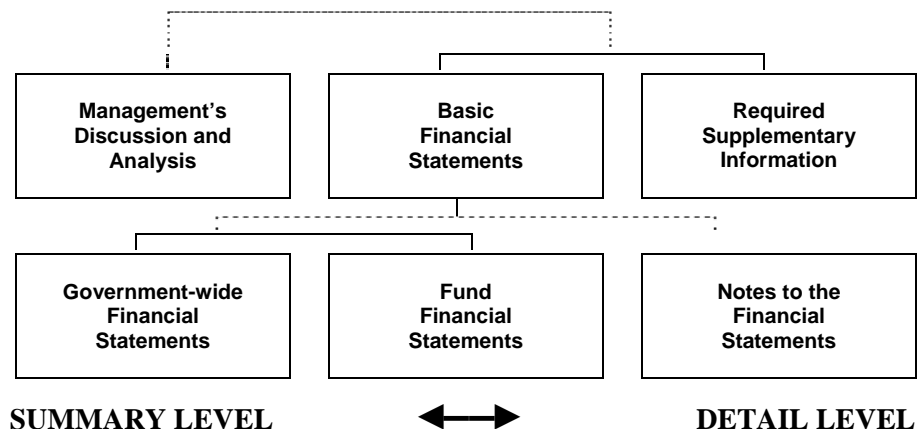
Overall, the carrying amount of total long-term debt for the State's primary government increased \$441.9 million or four percent during fiscal year 2007 and reported an ending balance of \$11.6 billion. During the year, the State issued at par \$1.15 billion in general obligation bonds, \$287.2 million in revenue bonds, of which \$102 million were refunding bonds, and \$272.2 million in special obligation bonds, of which \$157.2 million were refunding bonds. Additional discussion of the State's bonds and certificates of participation can be found beginning on page 18.

Overview of the Financial Statements

This annual report consists of management's discussion and analysis, basic financial statements, including the accompanying notes to the financial statements, required supplementary information, and combining statements for the nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component unit funds. The basic financial statements are comprised of the government-wide financial statements and fund financial statements.

Figure 1 below illustrates how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, as explained later, this report includes an optional section that contains combining statements that provide details about the State's nonmajor governmental and proprietary funds and discretely presented component units.

Figure 1
Required Components of the
State of Ohio's Annual Financial Report



The *Government-wide Financial Statements* provide financial information about the State as a whole, including its component units.

The *Fund Financial Statements* focus on the State's operations in more detail than the government-wide financial statements. The financial statements presented for governmental funds report on the State's general government services. Proprietary fund statements report on the activities that the State operates like private-sector businesses. Fiduciary fund statements provide information about the financial relationships in which the State acts solely as a trustee or agent for the benefit of others outside of the government, to whom the resources belong.

Following the fund financial statements, the State includes financial statements for its major component units within the basic financial statements section. Nonmajor component units are also presented in aggregation under a single column in the component unit financial statements.

The basic financial statements section includes notes that more fully explain the information in the government-wide and fund financial statements; the notes provide more detailed data that are essential to a full understanding of the data presented in the financial statements. The notes to the financial statements can be found on pages 54 through 128 of this report.

In addition to the basic financial statements and accompanying notes, a section of required supplementary information further discusses the assessed condition and estimated and actual maintenance and preservation costs of the state's highway and bridge infrastructure assets that are reported using the modified approach. Limited in application to a government's infrastructure assets, the modified approach provides an alternative to the traditional recognition of depreciation expense. Required supplementary information can be found on pages 129 through 132 of this report.

Figure 2 on the following page summarizes the major features of the State's financial statements.

Figure 2
Major Features of the State of Ohio's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as general government, transportation, justice and public protection, etc.	Activities the State operates similar to private businesses, such as the workers' compensation insurance program, lottery, tuition credit program	Instances in which the State is the trustee or agent for someone else's resources
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses and Changes in Fund Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. For these statements, the State applies accounting methods similar to those used by private-sector companies; that is, the State follows the accrual basis of accounting and the economic resources focus when preparing the government-wide financial statements. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of the timing of related cash inflows or outflows.

The two government-wide financial statements report the State's net assets and how they have changed. Net assets — the difference between the State's assets and liabilities — is one way to measure the State's financial health, or position. Over time, increases or decreases in the State's net assets indicate whether its financial health has improved or deteriorated, respectively. However, a reader should consider additional nonfinancial factors such as changes in the State's economic indicators and the condition of the State's highway system when assessing the State's overall financial status.

The State's government-wide financial statements, which can be found on pages 22 through 25 of this report, are divided into three categories as follows.

Governmental Activities — Most of the State's basic services are reported under this category, such as primary, secondary and other education, higher education support, public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, and community and economic development. Taxes, federal grants, charges for services, including license, permit, and other fee income, fines, and forfeitures, and restricted investment income finance most of these activities.

Business-type Activities — The State charges fees to customers to help cover the costs of certain services it provides. The State reports the following programs and activities as business-type: workers' compensation insur-

ance program, lottery operations, unemployment compensation program, the leasing and maintenance operations of the Ohio Building Authority, guaranteed college tuition credit program, liquor control operations, underground parking garage operations at the statehouse, and the Auditor of State's governmental auditing and accounting services.

Component Units — The State presents the financial activities of the School Facilities Commission, Cultural Facilities Commission, eTech Ohio Commission, Ohio Water Development Authority, Ohio Air Quality Development Authority, and 22 state-assisted colleges and universities as discretely presented component units under a separate column in the government-wide financial statements. The Ohio Building Authority is presented as a blended component unit with its activities blended and included under governmental and business-type activities. Although legally separate, the State is financially accountable for its component units, as is further explained in NOTE 1A. to the financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds — not the State as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. State law and bond covenants mandate the use of some funds. The Ohio General Assembly establishes other funds to control and manage money for particular purposes or to show that the State is properly using certain taxes and grants. The State employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State has three kinds of funds — governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds — Most of the State's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out (i.e., near-term inflows and outflows of spendable resources) and the balances remaining at year-end that are available for spending (i.e., balances of spendable resources). Consequently, the governmental fund financial statements provide a detailed short-term view that helps the financial statement reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The State prepares the governmental fund financial statements applying the modified accrual basis of accounting and a current financial resources focus. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation schedule, which follows each of the governmental fund financial statements, explains the relationship (or differences) between them.

The State's governmental funds include the General Fund and 15 special revenue funds, 23 debt service funds, and 10 capital projects funds. Under separate columns, information is presented in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Job, Family and Other Human Services, Education, Highway Operating, and Revenue Distribution special revenue funds, all of which are considered major funds. Data from the other 44 governmental funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the basic governmental fund financial statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

For budgeted governmental funds, the State also presents budgetary comparison statements and schedules in the basic financial statements and combining statements, respectively, to demonstrate compliance with the appropriated budget. The State's budgetary process is explained further in NOTE 1D. to the financial statements.

The basic governmental fund financial statements can be found on pages 26 through 37 of this report while the combining fund statements and schedules can be found on pages 133 through 194.

Proprietary Funds — Services for which the State charges customers a fee are generally reported in proprietary funds. Financial statements for the proprietary funds, which are classified as enterprise funds, provide both long- and short-term financial information. Like the government-wide financial statements, the State prepares the proprietary fund financial statements for its eight enterprise funds applying the accrual basis of accounting and an economic resources focus.

Under separate columns, information is presented in the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows for the Workers' Compensation, Lottery Commission, and Unemployment Compensation enterprise funds, all of which are considered to be major funds. Data from the other five enterprise funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the basic proprietary fund financial statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The enterprise funds are the same as the State's business-type activities reported in the government-wide financial statements, but the proprietary fund financial statements provide more detail and additional information, such as information on cash flows. The basic proprietary fund financial statements can be found on pages 38 through 45 of this report while the combining fund statements can be found on pages 195 through 203.

Fiduciary Funds — The State is the trustee, or fiduciary, for assets that — because of a trust arrangement — can only be used for the trust beneficiaries. The State is responsible for ensuring the assets reported in these funds are used for their intended purposes. All of the State's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. The State excludes the State Highway Patrol Retirement System Pension Trust Fund, Variable College Savings Plan Private-Purpose Trust Fund, STAR Ohio Investment Trust Fund, and the agency funds from its government-wide financial statements because the State cannot use these assets to finance its operations. The basic fiduciary fund financial statements can be found on pages 46 through 49 of this report.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets. During fiscal year 2007, as shown in the table below, the combined net assets of the State's primary government increased \$3.19 billion or 16.4 percent. Net assets reported for governmental activities increased \$587 million or 3.1 percent and business-type activities increased \$2.6 billion, or 497.2 percent. Condensed financial information derived from the Statement of Net Assets for the primary government follows.

**Primary Government
Statement of Net Assets
As of June 30, 2007
With Comparatives as of June 30, 2006
(dollars in thousands)**

	As of June 30, 2007			As of June 30, 2006 (as restated)		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Assets:						
Current and Other Noncurrent Assets	\$17,230,308	\$24,089,153	\$41,319,461	\$16,168,793	\$21,422,093	\$37,590,886
Capital Assets	24,258,279	131,092	24,389,371	23,828,773	137,283	23,966,056
Total Assets	41,488,587	24,220,245	65,708,832	39,997,566	21,559,376	61,556,942
Liabilities:						
Current and Other Liabilities	9,684,926	4,220	9,689,146	9,343,834	(438,365)	8,905,469
Noncurrent Liabilities	12,273,207	21,089,494	33,362,701	11,710,314	21,474,243	33,184,557
Total Liabilities	21,958,133	21,093,714	43,051,847	21,054,148	21,035,878	42,090,026
Net Assets:						
Invested in Capital Assets, Net of Related Debt	21,477,381	19,322	21,496,703	20,889,063	10,363	20,899,426
Restricted	2,360,396	682,126	3,042,522	2,121,564	760,376	2,881,940
Unrestricted	(4,307,323)	2,425,083	(1,882,240)	(4,067,209)	(247,241)	(4,314,450)
Total Net Assets	\$19,530,454	\$3,126,531	\$22,656,985	\$18,943,418	\$ 523,498	\$19,466,916

As of June 30, 2007, the primary government's investment in capital assets (i.e., land, buildings, land improvements, machinery and equipment, vehicles, infrastructure, and construction-in-progress), less related outstanding debt, was \$21.5 billion. Restricted net assets were approximately \$3.04 billion, resulting in a \$1.88 billion deficit. Net assets are restricted when constraints on their use are 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) legally imposed through constitutional or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The government-wide Statement of Net Assets reflects a \$4.31 billion deficit for unrestricted governmental activities. The State of Ohio, like many other state governments, issues general and special obligation debt, the proceeds of which benefit local governments and component units. The proceeds are used to build facilities for public-assisted colleges and universities and local school districts and finance infrastructure improvements for local governments. The policy of selling general obligation and special obligation bonds for these purposes has been the practice for many years. Of the \$10.55 billion of outstanding general obligation and special obligation debt at June 30, 2007, \$7.44 billion is attributable to debt issued for state assistance to component units (School Facilities Commission and the colleges and universities) and local governments. The balance sheets of component unit and local government recipients reflect ownership of the related constructed capital assets without the burden of recording the debt. Unspent proceeds related to these bond issuances are included on the Statement of Net

Assets as restricted net assets. By issuing such debt, the State is left to reflect significant liabilities without the benefit of recording the capital assets constructed with the proceeds from the debt issuances.

Additionally, as of June 30, 2007, the State's governmental activities have significant unfunded liabilities for compensated absences in the amount of \$450.3 million (see NOTE 14A.) and a \$874.8 million interfund payable due to the workers' compensation component of business-type activities for the State's workers' compensation liability (see NOTE 7A.). These unfunded liabilities also contribute to the reported deficit for governmental activities.

Condensed financial information derived from the Statement of Activities, which reports how the net assets of the State's primary government changed during fiscal years 2007 and 2006, follows.

**Primary Government
Statement of Activities
For the Fiscal Year Ended June 30, 2007
With Comparatives for the Fiscal Year Ended June 30, 2006
(dollars in thousands)**

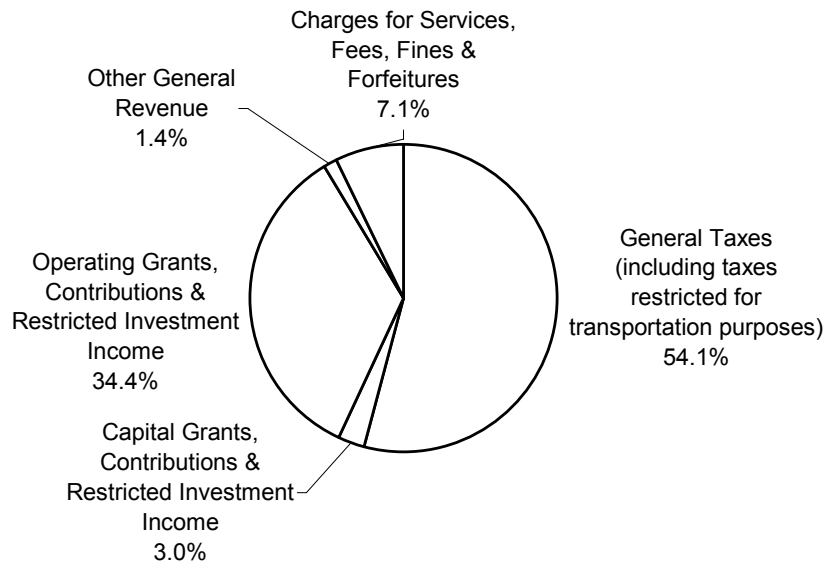
	Fiscal Year 2007			Fiscal Year 2006 (as restated)		
	Govern- mental Activities	Business- Type Activities	Total Primary Government	Govern- mental Activities	Business- Type Activities	Total Primary Government
Program Revenues:						
Charges for Services, Fees, Fines and Forfeitures	\$ 3,101,007	\$8,389,550	\$11,490,557	\$ 2,810,257	\$6,197,814	\$ 9,008,071
Operating Grants, Contributions and Restricted Investment Income/(Loss)	14,964,098	1,339,887	16,303,985	14,336,540	883,003	15,219,543
Capital Grants, Contributions and Restricted Investment Income/(Loss)	1,286,426	—	1,286,426	1,288,100	—	1,288,100
Total Program Revenues	19,351,531	9,729,437	29,080,968	18,434,897	7,080,817	25,515,714
General Revenues:						
General Taxes	21,661,379	—	21,661,379	21,567,653	—	21,567,653
Taxes Restricted for Transportation	1,835,478	—	1,835,478	1,850,939	—	1,850,939
Tobacco Settlement	361,552	—	361,552	336,044	—	336,044
Escheat Property	31,009	—	31,009	93,782	—	93,782
Unrestricted Investment Income	206,414	—	206,414	128,772	—	128,772
Other	383	372	755	295	932	1,227
Total General Revenues	24,096,215	372	24,096,587	23,977,485	932	23,978,417
Total Revenues	43,447,746	9,729,809	53,177,555	42,412,382	7,081,749	49,494,131
Expenses:						
Primary, Secondary and Other Education	11,467,076	—	11,467,076	11,157,283	—	11,157,283
Higher Education Support	2,546,530	—	2,546,530	2,608,007	—	2,608,007
Public Assistance and Medicaid	15,782,074	—	15,782,074	14,909,149	—	14,909,149
Health and Human Services	3,538,858	—	3,538,858	3,526,763	—	3,526,763
Justice and Public Protection	3,102,172	—	3,102,172	3,111,577	—	3,111,577
Environmental Protection and Natural Resources	435,235	—	435,235	406,632	—	406,632
Transportation	1,998,166	—	1,998,166	1,925,841	—	1,925,841
General Government	884,590	—	884,590	952,248	—	952,248
Community and Economic Development	3,789,404	—	3,789,404	3,618,550	—	3,618,550
Interest on Long-Term Debt (excludes interest charged as program expense)	169,776	—	169,776	175,899	—	175,899
Workers' Compensation	—	2,760,313	2,760,313	—	2,011,480	2,011,480
Lottery Commission	—	1,696,881	1,696,881	—	1,625,309	1,625,309
Unemployment Compensation	—	1,175,682	1,175,682	—	1,161,776	1,161,776
Ohio Building Authority	—	28,188	28,188	—	25,797	25,797
Tuition Trust Authority	—	91,416	91,416	—	67,162	67,162
Liquor Control	—	444,119	444,119	—	423,373	423,373
Underground Parking Garage	—	2,519	2,519	—	2,993	2,993
Office of Auditor of State	—	74,487	74,487	—	71,729	71,729
Total Expenses	43,713,881	6,273,605	49,987,486	42,391,949	5,389,619	47,781,568
Surplus/(Deficiency) Before Transfers	(266,135)	3,456,204	3,190,069	20,433	1,692,130	1,712,563
Transfers-Internal Activities	853,171	(853,171)	—	818,636	(818,636)	—
Change in Net Assets	587,036	2,603,033	3,190,069	839,069	873,494	1,712,563
Net Assets, July 1 (as restated)	18,943,418	523,498	19,466,916	18,104,349	(349,996)	17,754,353
Net Assets, June 30	\$19,530,454	\$3,126,531	\$22,656,985	\$18,943,418	\$ 523,498	\$19,466,916

Governmental Activities

Revenues were slightly under expenditures during fiscal year 2007, but when combined with transfers from the State's business-type activities, net assets for governmental activities increased from \$18.94 billion, at July 1, 2006, to \$19.53 billion, at June 30, 2007, or \$587 million. Revenues for fiscal year 2007 in the amount of \$43.45 billion were 2.4 percent higher than those reported for fiscal year 2006. This increase in revenues can be attributed, in part, to stronger sales taxes and corporate and public utility taxes, which offset decreases in income taxes and cigarette taxes. The majority of the increase, however, is due to increased charges for services and operating grants. Expenses also increased as the reported \$43.71 billion in spending represented a 3.1 percent increase over fiscal year 2006. Net transfers for fiscal year 2007 also increased to \$853.2 million, or by 4.2 percent, when compared to fiscal year 2006.

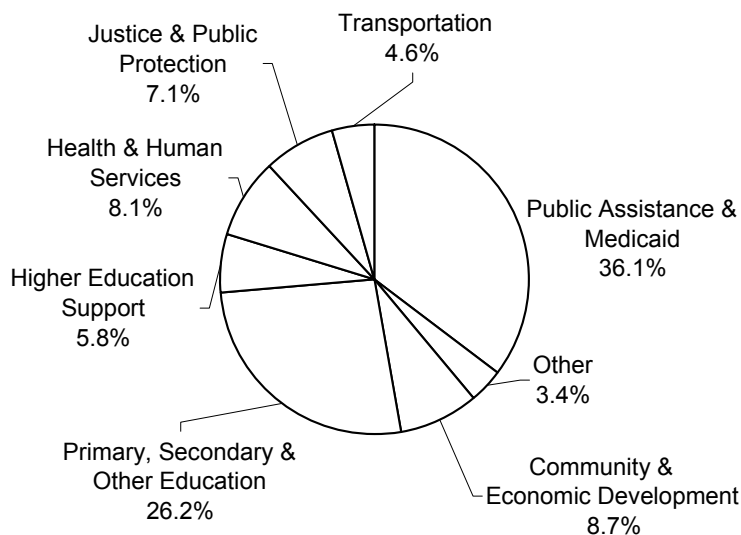
The following charts illustrate revenue by sources and expenses by program of governmental activities as percentages of total revenues and program expenses, respectively, reported for the fiscal year ended June 30, 2007.

Governmental Activities — Sources of Revenue Fiscal Year 2007



Total FY 07 Revenue for Governmental Activities = \$43.45 Billion

Governmental Activities — Expenses by Program Fiscal Year 2007



Total FY 07 Program Expenses for Governmental Activities = \$43.71 Billion

The following tables present the total expenses and net cost of each of the State's governmental programs for the fiscal years ended June 30, 2007 and 2006. The net cost (total program expenses less revenues generated by the program) represents the financial burden that was placed on the State's taxpayers by each of these programs; costs not covered by program revenues are essentially funded with the State's general revenues, which are primarily comprised of taxes, tobacco settlement revenue, escheat property, and unrestricted investment income.

Program Expenses and Net Costs of Governmental Activities by Program
For the Fiscal Year Ended June 30, 2007
With Comparatives for the Fiscal Year Ended June 30, 2006
(dollars in thousands)

For the Fiscal Year Ended June 30, 2007				
Program	Program Expenses	Net Cost of Program	Net Cost as Percentage of Total Expenses for Program	Net Cost as Percentage of Total Expenses — All Programs
Primary, Secondary and Other Education	\$11,467,076	\$ 9,763,763	85.1%	22.3%
Higher Education Support	2,546,530	2,514,811	98.8	5.8
Public Assistance and Medicaid	15,782,074	4,816,467	30.5	11.0
Health and Human Services	3,538,858	1,236,630	34.9	2.8
Justice and Public Protection	3,102,172	1,930,614	62.2	4.4
Environmental Protection and Natural Resources	435,235	126,699	29.1	.3
Transportation	1,998,166	587,908	29.4	1.4
General Government	884,590	187,799	21.2	.4
Community and Economic Development	3,789,404	3,027,883	79.9	6.9
Interest on Long-Term Debt	169,776	169,776	100.0	.4
Total Governmental Activities	<u>\$43,713,881</u>	<u>\$24,362,350</u>	55.7	<u>55.7%</u>
For the Fiscal Year Ended June 30, 2006 (as restated)				
Program	Program Expenses	Net Cost of Program	Net Cost as Percentage of Total Expenses for Program	Net Cost as Percentage of Total Expenses — All Programs
Primary, Secondary and Other Education	\$11,157,283	\$ 9,503,034	85.2%	22.4%
Higher Education Support	2,608,007	2,570,775	98.6	6.1
Public Assistance and Medicaid	14,909,149	4,751,780	31.9	11.2
Health and Human Services	3,526,763	1,289,924	36.6	3.0
Justice and Public Protection	3,111,577	1,881,421	60.5	4.5
Environmental Protection and Natural Resources	406,632	126,932	31.2	.3
Transportation	1,925,841	553,793	28.8	1.3
General Government	952,248	160,992	16.9	.4
Community and Economic Development	3,618,550	2,942,502	81.3	6.9
Interest on Long-Term Debt	175,899	175,899	100.0	.4
Total Governmental Activities	<u>\$42,391,949</u>	<u>\$23,957,052</u>	56.5	<u>56.5%</u>

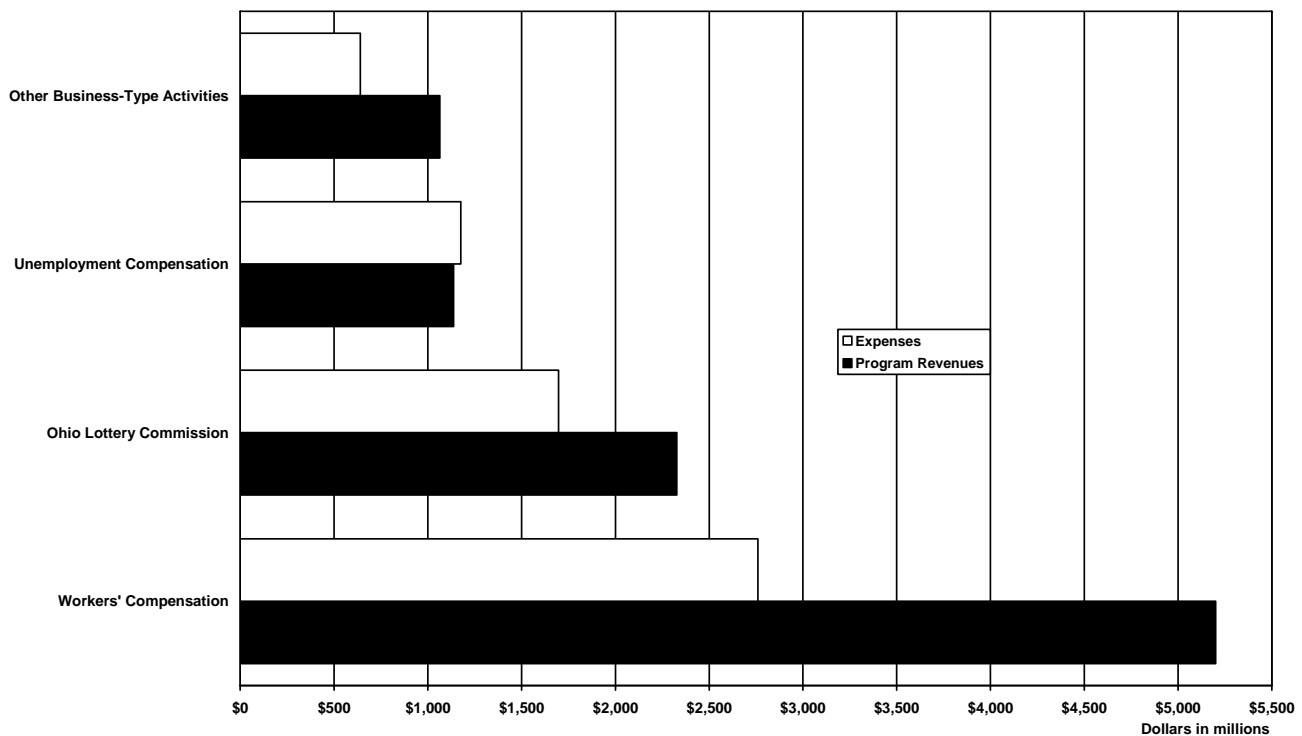
Business-Type Activities

The State's enterprise funds reported net assets of \$3.13 billion, as of June 30, 2007, as compared to \$523.5 million in net assets, as of June 30, 2006, an increase of 497.2 percent. The primary increase in net assets for the business-type activities was the Workers' Compensation Fund, which reported net assets of \$2.31 billion, as of June 30, 2007, as compared to \$(126.6) million, as of June 30, 2006, a \$2.43 billion increase. The Tuition Trust Authority Fund reported net assets of \$32.4 million, as of June 30, 2007, compared to \$(228.8) million in net assets, as of June 30, 2006, an increase of \$261.3 million. The Liquor Control fund showed net assets of \$42.6 million in fiscal year 2007, as compared to \$25.7 million for fiscal year 2006, an increase of \$17 million, or 66.1 percent. The Unemployment Compensation Fund posted a \$67.3 million or 10 percent decrease in net assets during fiscal year 2007 when the fund reported net assets of \$608.4 million, as of June 30, 2007, compared to \$675.7 million in net assets as of June 30, 2006. The Lottery Commission Fund reported \$90.4 million in net assets as of June 30, 2007, compared to \$129.6 million in net assets as of June 30, 2006, a \$39.2 million, or 30.3 percent, decrease.

For the Workers' Compensation Enterprise Fund, the increase in net assets is mainly due to a one-time adjustment of \$1.9 billion related to an accounting change for the Disabled Workers' Relief Fund. The Tuition Trust Authority Fund's increase in net assets resulted from investment income of \$116.8 million and other income of \$224.9 million which represents a decrease in the calculation of tuition benefits payable. The Liquor Control Enterprise Fund experienced increased sales of liquor which increased net income by \$17 million in fiscal year 2007, as compared to net income of \$6.7 million in fiscal year 2006. The Unemployment Compensation Enterprise Fund's decrease in net assets resulted from decreases in premium and assessment income of \$58.3 million in fiscal year 2007, and increases in benefits and claims expenses of \$14.1 million. The loss for the Lottery Commission Enterprise Fund is largely attributable to increases in transfers of lottery profits to the Education and General funds of \$23.1 million.

The chart below compares program expenses and program revenues for business-type activities.

**Business-Type Activities — Expenses and Program Revenues
Fiscal Year 2007**



Additional analysis of the Business-Type Activities revenues and expenses is included with the discussion of the Proprietary Funds beginning on page 15.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds reported the following results, as of and for the fiscal years ended June 30, 2007 and June 30, 2006 (dollars in thousands).

As of and for the Fiscal Year Ended June 30, 2007				
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unreserved/Undesignated Fund Balance.....	\$ 556,106	\$ (1,433,297)	\$ 503,879	\$ (373,312)
Designated Fund Balance	1,012,289	—	—	1,012,289
Total Fund Balance	2,255,526	1,193,373	3,269,178	6,718,077
Total Revenues	25,931,299	13,484,622	3,928,792	43,344,713
Total Expenditures	25,144,305	13,540,720	6,427,904	45,112,929

As of and for the Fiscal Year Ended June 30, 2006				
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unreserved/Undesignated Fund Balance.....	\$ 281,261	\$ (3,033,576)	\$ 819,835	\$(1,932,480)
Designated Fund Balance	1,010,689	—	—	1,010,689
Total Fund Balance	1,909,683	1,023,218	3,134,233	6,067,134
Total Revenues	26,044,204	12,453,561	3,936,363	42,434,128
Total Expenditures	25,215,953	12,272,170	6,329,065	43,817,188

General Fund

The main operating fund of the State is the General Fund. During fiscal year 2007, General Fund revenue decreased as a result of the sluggish economy and declines in employment in Ohio. Expenditures for this fund also decreased and were considerably lower than anticipated. As a result, the fund balance increased by \$346.4 million (exclusive of a \$537 thousand decrease in inventories) or 18.1 percent.

General Fund Budgetary Highlights

The State ended the second year of its biennial budget period on June 30, 2007, with a General Fund budgetary fund balance (i.e., cash less encumbrances) of \$1.61 billion. Total budgetary sources for the General Fund (including \$600 million in transfers from other funds) in the amount of \$27.09 billion were below final estimates by \$218.5 million or .8 percent during fiscal year 2007, while total tax receipts were above final estimates by \$195.6 million or one percent. Total budgetary uses for the General Fund (including \$411.3 million in transfers to other funds) in the amount of \$28.22 billion were below final estimates by \$529.3 million or 1.8 percent for fiscal year 2007. During fiscal year 2007, it was not necessary to use any of the \$1.01 billion that had been designated for budget stabilization purposes at June 30, 2006.

The General Revenue Fund (GRF) is the largest, non-GAAP, budgetary-basis operating fund included in the State's General Fund. The following discussion of the revenue and expenditure variances relates specifically to the GRF.

For fiscal year 2007, revenues in the GRF were \$256.2 million, or one percent, below estimates. Positive variances in the GRF for personal income tax and corporate franchise tax totaled \$235.3 million, or 2.7 percent, and \$181.5 million, or 20.3 percent, respectively, and offset negative variances in sales tax of \$185.5 million, or 2.4 percent, and in cigarette tax of \$33.7 million, or 3.3 percent. Federal grant revenue ended the fiscal year \$476.7 million, or 8.2 percent, below estimate, due to lower than expected expenditures on health care, as explained below. Earnings on investments were \$36.2 million, or 25.9 percent, higher than expected, due to both investment balances and interest rates being higher than predicted.

The strong showing by personal income tax in the GRF primarily consisted of better-than-expected receipts from trust payments and annual returns, despite the fact that statewide employment declined by 13,800 jobs during fiscal year 2007, and despite the continued withholding rate cuts in fiscal year 2007 that are part of the 21-percent reduction in the State's personal income tax rates, as discussed on the following page. Corporate franchise tax performed better than expected in spite of an additional 20 percent tax rate cut during fiscal year 2007.

The underperformance of the non-auto sales tax in the GRF is due to several reasons, including the decline in employment in Ohio, the housing downturn, tapped-out mortgage equity, and high gasoline prices. The cigarette tax receipts declined due to the imposition of a statewide smoking ban in certain business establishments and higher cigarette prices.

Disbursements for fiscal year 2007 in the GRF were \$945 million, or 3.6 percent, below estimate. Health care spending accounted for \$668 million of the difference. This variance is largely attributable to the slow rollout of managed care for Covered Families and Children (CFC), and to caseloads being lower than expected, particularly with the CFC portion of the program. Caseloads in Ohio, as in many other states, have been affected by a provision of the Deficit Reduction Act of 2005 that requires U.S. citizens to present proof of their citizenship and identity when they apply for, or seek to renew, their Medicaid coverage. There have been indications that Medicaid eligibility determinations are being delayed, resulting in large backlogs of applications, as a result of the new requirements. Other factors contributing to the lower than expected health care costs include a recalibration of inpatient hospital rates that became effective in January 2006 and has resulted in larger than expected savings; the implementation during fiscal year 2006 of a new billing system for nursing facility payments that has reduced overpayments; and the launch of Medicare Part D and the switch to managed care that has decreased prescription drug payments.

Expenditures for primary and secondary education were \$69.2 million, or one percent, below estimate, due to average daily membership counts that were lower than expected. The moratorium on the opening of new community schools also reduced demand for start-up grants. Expenditures for higher education were \$48.7 million, or two percent, below estimate, largely due to the timing of Ohio Instructional Grant payments.

Consistent with state law, the Governor's Executive Budget for the 2006-07 biennium was released in February 2005 and introduced in the General Assembly. After extended hearings and review, the appropriations act (Act) for the 2006-07 biennium for the GRF was passed by the General Assembly and signed (with selective vetoes) by the then Governor on June 30, 2005.

The Act provided for total GRF biennial revenue of approximately \$51.5 billion (a 3.8 percent increase over the 2004-05 biennial revenue) and total GRF biennial appropriations of approximately \$51.3 billion (a five percent increase over the 2004-05 biennial expenditures). Spending increases for major program categories over the 2004-05 actual expenditures were: 5.8 percent for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 3.4 percent for higher education; 4.2 percent for elementary and secondary education; 5.5 percent for corrections and youth services; and 4.8 percent for mental health and mental retardation.

The GRF expenditure authorizations for the 2006-07 biennium reflected and were supported by significant restructuring of major State taxes, including:

- A 21-percent reduction in Ohio's personal income tax rates phased in at 4.2 percent a year over the 2005 through 2009 tax years.
- Phased elimination of the corporate franchise tax at a rate of approximately 20 percent a year over the 2006 through 2010 tax years (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions).
- Implementation of a new commercial activity tax (CAT) on gross receipts from doing business in Ohio that will be phased in over the 2006 through 2010 fiscal years. When fully phased in, the CAT will be levied at a rate of .26 percent on gross receipts in excess of \$1 million. In the next three fiscal years, as the CAT phases-in, the General Fund is not expected to receive any revenues from this tax unless collections exceed estimates. Instead, all the tax receipts will be used to compensate school districts and local governments for tax revenues lost due to the phase-out of the tangible personal property tax. In addition, supplemental transfers from the General Fund will probably be needed to fully replace the tangible personal property tax losses.
- A 5.5-percent state sales and use tax (reduced from the six-percent rate in effect during the 2004-05 biennium).
- An increase in the cigarette tax rate from 55 cents a pack (of 20 cigarettes) to \$1.25 a pack.

The State ended fiscal year 2007 with a GRF cash balance of \$1.43 billion and a GRF budgetary fund balance of \$215.5 million. The State did not designate any cash in the GRF for transfer to the budget stabilization fund for fiscal year 2008, as of June 30, 2007.

Other Major Governmental Funds

The *Job, Family and Other Human Services Fund*, had a fund balance of \$199.1 million at June 30, 2007, an increase of \$21.4 million, or 12.1 percent, compared to fiscal year 2006. Expenditures exceeded revenues by \$74.2 million, but net transfers-in totaled \$95.6 million.

Public Assistance and Medicaid expenditures increased \$807.3 million, or 17.8 percent, compared to the previous fiscal year. This increase in expenditures was partially offset by a \$488.3 million, or 10.2 percent, increase in federal government revenue compared to the previous fiscal year. The increase in expenditures was due to several factors. In general, the Medicaid program made less use of General Fund money than in previous fiscal years, and thus increased its reliance on the Job, Family and Other Human Services Fund. In particular, the budget bill provided the State a one-time opportunity to use money from the Tobacco Settlement to purchase prescription drugs that are eligible for federal reimbursement, and the associated federal activity was recorded in the Job, Family and Other Human Services Fund.

The costs and associated federal revenues for the Medicaid, TANF, Food Stamps, Unemployment Insurance, and the federally funded day-care programs all increased due to increased enrollments largely attributable to increased unemployment as well as increased efforts at recruitment and outreach, and increased costs of providing medical care due to inflation. New programs for state and county demonstration projects, student intervention services, the Kinship Permanency Incentive Program, and new adoption and independent living services were either created in fiscal year 2007 or grew substantially during fiscal year 2007 since their inception in fiscal year 2006. Also, the newly implemented tax on providers of Medicaid managed care plans provided additional funding for the Medicaid program, which in turn generated additional federal reimbursements, thereby increasing activity in the Job, Family and Other Human Services Fund.

The *Education Fund*, as of June 30, 2007, had a fund balance of \$101.8 million, an increase of \$37 million since June 30, 2006. Fiscal year 2007 net transfers-in for the fund in the amount of \$713.8 million were more than enough to cover the excess of expenditures over revenues reported for the fund in the amount of \$676.9 million. Transfers-in of \$64.9 million from the Revenue Distribution Fund for the half-mill equalization program (see below), and an increase of transfers-in of \$23.1 million from the Lottery Commission Fund as compared to fiscal year 2006 accounted for the increase of transfers-in of \$87.1 million, or 13.2 percent, for fiscal year 2007. Expenditures increased by \$110.4 million, or 4.9 percent, compared to fiscal year 2006. Expenditures increased primarily because of the half-mill equalization program, which was created in fiscal year 2006 but had activity for the first time in fiscal year 2007. This program operates by transferring tax revenue into the Education Fund, which is then disbursed to low-wealth schools. This program accounted for expenditures of \$64.9 million in fiscal year 2007.

Federal revenues in the Education Fund increased by \$58.9 million, or 3.6 percent, in fiscal year 2007. The increase in revenues was primarily attributable to an increase of \$47.8 million received from the Federal Department of Agriculture for the various school food programs, which resulted from a greater number of meals served and higher costs per meal.

The fund balance for the *Highway Operating Fund*, as of June 30, 2007, totaled \$888.2 million, an increase of \$138.1 million (excluding a \$2.7 million decrease in inventories) since June 30, 2006. The increase was due to net transfers-in which totaled \$184.6 million and more than offset the excess of expenditures over revenues of \$46.5 million. Revenues and expenditures in the amount of \$2.12 billion and \$2.16 billion, respectively, did not change significantly when compared to amounts reported for fiscal year 2006 of \$2.11 billion and \$2.16 billion, respectively.

For the *Revenue Distribution Fund*, as of June 30, 2007, the fund balance totaled \$4.3 million, a decrease of \$23.6 million since June 30, 2006. Fiscal year 2007 net transfers-out to other governmental funds of \$765.1 million were greater than the \$741.5 million excess of revenues over expenditures, thus contributing to the decrease in fund balance. Transfers-out increased by \$77.1 million, or 9.1 percent, compared to fiscal year 2006, primarily due to \$64.9 million being transferred to the Education Fund for the half-mill equalization program, as described above.

Expenditures in the Primary, Secondary and Other Education function increased by \$212.9 million, or 63 percent, compared to fiscal year 2006. This increase was almost entirely attributable to the function's share of the revenues from the commercial activities tax increasing from 22.6 percent in fiscal year 2006 to 70 percent in fiscal year 2007. The taxes are subsequently distributed to local governments to serve as a replacement for revenues lost by the local governments due to the expiration of the tangible property tax, which previously provided funding to local governments.

Expenditures in the community and economic development function of the Revenue Distribution Fund increased by \$109.2 million, or 5.5 percent, compared to fiscal year 2006. This increase was almost entirely attributable to its share of the commercial activities tax which increased from 9.7 percent in fiscal year 2006 to 30 percent in fiscal year 2007. The taxes are subsequently distributed to local governments to serve as a replacement for revenues lost by the local governments due to the expiration of the tangible property tax, which previously provided funding to local governments.

Revenues in the Revenue Distribution Fund increased by \$444 million, or 13.7 percent, over fiscal year 2006. Corporate and public utility tax revenues increased by \$448.5 million, or 77.1 percent, compared to fiscal year 2006. The fund's increased share of collections of the commercial activities tax, as detailed above, increased revenues by \$579.6 million which more than offset a \$134 million decrease in revenues due to the phase-out of the corporate franchise tax.

Major Proprietary Funds

The State's proprietary fund financial statements report the same type of information found in the business-type activities portion of the government-wide financial statements, but in a slightly different format.

For the *Workers' Compensation Fund*, the \$2.43 billion increase in net assets was primarily due to one-time adjustment of \$1.9 billion related to an accounting change for the Disabled Workers' Relief Fund, which, when combined with \$911.4 million in investment income, offset benefits and compensation adjustment expenses of \$2.67 billion.

The \$1.9 billion one-time adjustment in premium and assessment income was a result of the passage of Ohio House Bill 100 in June 2007, which granted the Bureau the authority to assess employers in future periods for amounts needed to fund the Disabled Workers' Relief Fund, resulting in the recording of an unbilled receivable equal to the discounted reserve for compensation and compensation adjustment expenses in the fund. Due primarily to this change, premium and assessment income totaled \$4.27 billion in fiscal year 2007, compared to \$2.1 billion in fiscal year 2006, an increase of \$2.17 billion, or 103.1 percent. Private employer contribution rates also increased an average of 3.9 percent for premiums effective July 1, 2006.

Workers' compensation benefits and claims expenses totaled \$2.67 billion in fiscal year 2007, compared to \$1.93 billion in fiscal year 2006, an increase of \$733.3 million or 37.9 percent. This increase is primarily due to a \$344 million increase in the reserves for compensation and compensation adjustment expenses during fiscal year 2007, as compared with a \$373 million decrease in fiscal year 2006. A significant factor in this increase is the change in the interest rate used to discount the reserves, from 5.25 percent at June 30, 2006 to five percent at June 30, 2007. This change in the discount rate increased reserves by approximately \$457 million. This was partially offset by continuing improvements from reductions in the cost of pharmacy benefits and lower hospital costs. Medical reserves for claims occurring on or before June 30, 2006 declined by \$995 million in fiscal year 2007, while continuing favorable improvements in the number of newly awarded permanent total disability claims reduced those reserves by \$113 million in fiscal year 2007.

Investment income of \$911.4 million in fiscal year 2007 represents an increase of \$147.6 million, or 19.3 percent, compared to fiscal year 2006. At June 30, 2006, approximately 96 percent of BWC's investments were held in a passively managed bond index fund. In January and February, 2007, the bond index fund units were liquidated and assets were transitioned to long-duration fixed income securities, treasury inflation protected securities, and domestic equity securities that are managed by three external money managers. As of June 30, 2007, only 8 percent of investments remained in the bond index fund. As a result of this arrangement, investment expenses declined from \$84.7 million in fiscal year 2006 to \$9.5 million in fiscal year 2007, a decrease of \$75.2 million, or 88.8 percent.

For fiscal year 2007, the *Lottery Commission Fund* reported \$630.6 million in net income before transfers of \$669.3 million and \$507 thousand to the Education and General funds, respectively, posting a \$39.2 million, or 30.3 percent, decrease in the fund's net assets. The fiscal year 2007 decrease in the Lottery Commission Fund's net assets is primarily due to increases in transfers to other funds of \$23.1 million or 3.6 percent when compared to fiscal year 2006 transfers of \$646.8 million. Increased ticket sales of \$38.5 million, or 1.7 percent, less increased prize expenses, which are directly proportional to ticket sales, of \$27.2 million, or 2.1 percent, did not provide enough of an increase in net income to offset the increased amount that was transferred to other funds. Depreciation expense declined from \$14.6 million in fiscal year 2006 to \$780 thousand in fiscal year 2007, due to the fact that the gaming equipment that the Lottery Commission uses in its operations is now fully depreciated. In June 2005 the Lottery Commission entered into a contract extension with its on-line gaming systems vendor that resulted in the Lottery Commission receiving over \$7.8 million in optional equipment credits that can be applied towards the use of a variety of additional gaming related equipment for fiscal years 2006 through 2009. In late

fiscal year 2006, the Lottery Commission requested to apply certain of those equipment credits towards 500 additional gaming system terminals. In fiscal year 2007, an additional 800 gaming system terminals were installed.

For the *Unemployment Compensation Fund*, unemployment benefits and claims expenses of \$1.18 billion were \$14.1 million, or 1.2 percent more than in fiscal year 2006, while premium and assessment income of \$1.06 billion decreased \$58.3 million, or 5.2 percent from that of fiscal year 2006. For calendar years 2006 and 2007, Ohio's annualized average unemployment rate was 5.4 percent and 5.6 percent, respectively, according to the U.S. Department of Labor.

Nonmajor Proprietary Funds

For fiscal year 2007, the *Tuition Trust Authority Fund* eliminated its \$228.8 million deficit at June 30, 2006 and posted net assets of \$32.4 million as of June 30, 2007. The \$261.2 million increase in net assets is due primarily to a \$224.9 million, or 20.5 percent, decrease in the actuarial valuation of the tuition benefits liability. This actuarial decrease is mainly due to the continued suspension of sales of tuition credits for fiscal year 2007 and a decrease in the tuition inflation assumptions over the next three years.

The Tuition Trust Authority also benefited from investment income of \$116.8 million, an increase of \$47.2 million, or 67.8 percent, over fiscal year 2006. This strong return on investments of 14 percent for fiscal year 2007, as contrasted to a return on investments of 8.16 percent in fiscal year 2006, was primarily due to stronger financial markets, aided by an increase of invested assets of \$36.9 million, or 4.3 percent, over fiscal year 2006.

The *Liquor Control Fund* reported an increase to net assets of \$17 million, after transferring \$135.1 million to the General Fund and \$43.5 million to other governmental funds. Liquor sales increased in the amount of \$32.8 million, or 5.4 percent, which, less the related increase in cost of goods sold of \$20.9 million, or 5.7 percent, provided the majority of the resources for this increase in net assets.

In fiscal year 2007, transfers from proprietary funds to governmental funds totaled \$912.9 million, up \$31.9 million or 3.6 percent when compared to the \$881 million in transfers-out reported in fiscal year 2006.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2007 and June 30, 2006, the State had invested \$24.39 billion and \$23.97 billion, respectively, net of accumulated depreciation of \$2.42 billion and \$2.31 billion, respectively, in a broad range of capital assets, as detailed in the table below.

Capital Assets, Net of Accumulated Depreciation
As of June 30, 2007
With Comparatives as of June 30, 2006
(dollars in thousands)

	As of June 30, 2007			As of June 30, 2006		
	Govern- mental Activities	Business-Type Activities	Total	Govern- mental Activities	Business-Type Activities	Total
Land	\$ 1,817,502	\$ 11,994	\$ 1,829,496	\$ 1,736,463	\$ 11,994	\$ 1,748,457
Buildings.....	1,925,273	100,049	2,025,322	1,995,971	106,607	2,102,578
Land Improvements	195,045	14	195,059	186,105	15	186,120
Machinery and Equipment	194,971	16,255	211,226	191,668	15,809	207,477
Vehicles.....	143,701	2,780	146,481	132,658	2,080	134,738
Infrastructure:						
Highway Network:						
General Subsystem	8,363,606	—	8,363,606	8,337,768	—	8,337,768
Priority Subsystem.....	7,320,525	—	7,320,525	7,196,979	—	7,196,979
Bridge Network	2,496,039	—	2,496,039	2,430,629	—	2,430,629
Parks, Recreation, and Natural Resources System.....	44,094	—	44,094	39,034	—	39,034
	22,500,756	131,092	22,631,848	22,247,275	136,505	22,383,780
Construction-in-Progress	1,757,523	—	1,757,523	1,581,498	778	1,582,276
Total Capital Assets, Net	\$24,258,279	\$131,092	\$24,389,371	\$23,828,773	\$137,283	\$23,966,056

During fiscal year 2007, the State recognized \$240.9 million in annual depreciation expense relative to its general governmental capital assets as compared with \$236.6 million in depreciation expense recognized in fiscal year 2006.

Additionally, the State completed construction on a variety of projects at various state facilities during fiscal year 2007 totaling approximately \$356.9 million, as compared with \$612.4 million in the previous fiscal year. The total increase in the State's capital assets, net of accumulated depreciation, for the current fiscal year was 1.8 percent (approximately a 1.8 percent increase for governmental activities and a 4.5 percent decrease for business-type activities). As is further detailed in NOTE 19E. of the notes to the financial statements, the State had \$92 million in major construction commitments (unrelated to infrastructure), as of June 30, 2007, as compared with the \$114.4 million balance reported for June 30, 2006.

Modified Approach

For reporting its highway and bridge infrastructure assets, the State has adopted the use of the modified approach. The modified approach allows a government *not to report depreciation expense* for eligible infrastructure assets if the government manages the eligible infrastructure assets using an asset management system that possesses certain characteristics and the government can document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level it sets (and discloses). Under the modified approach, the State is required to expense all spending (i.e., preservation and maintenance costs) on infrastructure assets except for additions and improvements. Infrastructure assets accounted for using the modified approach include approximately 42,773 in lane miles of highway (12,655 in lane miles for the priority highway subsystem and 30,118 in lane miles for the general highway subsystem) and approximately 84.4 million square feet of deck area that comprises 12,793 bridges for which the State has the responsibility for ongoing maintenance.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate highways, free-ways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities. It is the State's goal to allow no more than 25 percent of the total lane-miles reported for each of the priority and general subsystems, respectively, to be classified with a "poor" condition rating. The most recent condition assessment, completed by the Ohio Department of Transportation for calendar year 2006, indicates that only 3.1 percent and 1.5 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating. For calendar year 2005, only 3.6 percent and 1.9 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating.

For the bridge network, it is the State's intention to allow no more than 15 percent of the total number of square feet of deck area to be in "fair" or "poor" condition. The most recent condition assessment, completed by the Ohio Department of Transportation for calendar year 2006, indicates that only 2.8 percent and .01 percent of the number of square feet of bridge deck area were considered to be in "fair" and "poor" conditions, respectively. For calendar year 2005, only 2.7 percent and .01 percent of the number of square feet of bridge deck area were considered to be in "fair" and "poor" conditions, respectively.

For fiscal year 2007, total actual maintenance and preservation costs for the priority and general subsystems were \$418.9 million and \$268.8 million, respectively, compared to estimated costs of \$403.1 million for the priority system and \$196.8 million for the general system, while total actual maintenance and preservation costs for the bridge network was \$313.3 million compared to estimated costs of \$290.7 million. For the previous fiscal year, total actual maintenance and preservation costs for the priority and general subsystems were \$410 million and \$312.1 million respectively, compared to estimated costs of \$376.6 million for the priority system and \$214.8 million for the general system, while total actual maintenance and preservation costs for the bridge network was \$262 million compared to estimated costs of \$246.1 million. The State's costs for actual maintenance and preservation costs for infrastructure have exceeded estimates over the past two years due to steadily increasing underlying costs for the materials and labor associated with infrastructure projects.

More detailed information on the State's capital assets can be found in NOTE 8 to the financial statements and in the Required Supplementary Information section of the report.

Debt — Bonds and Notes Payable and Certificates of Participation Obligations

The State's general obligation bonds are backed by its full faith and credit. Revenue bonds issued by the State, including the Ohio Building Authority (OBA), a blended component unit of the State, are secured with revenues pledged for the retirement of debt principal and the payment of interest. Special obligation bonds issued by the State and the OBA are supported with lease payments from tenants of facilities constructed with the proceeds from the bond issuances. Under certificate of participation (COPs) financing arrangements, the State is required to make rental payments (subject to appropriations) that approximate interest and principal payments made by trustees to certificate holders.

During fiscal year 2007, the State issued at par \$1.15 billion in general obligation bonds, \$287.2 million in revenue bonds, and \$272.2 million in special obligation bonds. Of the revenue bonds and special obligation bonds issued at par, \$102 million and \$157.2 million, respectively, were refunding bonds. The total increase in the State's debt obligations for the current fiscal year, as based on carrying amount, was four percent (a 4.2 percent increase for governmental activities and a 14.4 percent decrease for business-type activities).

As of June 30, 2007 and June 30, 2006, the State had total debt of approximately \$11.6 billion and \$11.16 billion, respectively, as shown in the table below.

Bonds and Notes Payable and Certificates of Participation As of June 30, 2007 With Comparatives as of June 30, 2006 (dollars in thousands)

	As of June 30, 2007			As of June 30, 2006 (as restated)		
	Govern- mental Activities	Business-Type Activities	Total	Govern- mental Activities	Business-Type Activities	Total
Bonds and Notes Payable:						
General Obligation Bonds	\$ 7,583,266	\$ —	\$ 7,583,266	\$ 6,893,521	\$ —	\$ 6,893,521
Revenue Bonds and Notes	811,910	115,740	927,650	720,675	135,215	855,890
Special Obligation Bonds	2,966,105	—	2,966,105	3,317,492	—	3,317,492
Certificates of Participation	122,182	—	122,182	90,389	—	90,389
Total Debt	<u>\$11,483,463</u>	<u>\$115,740</u>	<u>\$11,599,203</u>	<u>\$11,022,077</u>	<u>\$135,215</u>	<u>\$11,157,292</u>

Credit Ratings

Ohio's credit ratings for general obligation debt are Aa1 by Moody's Investors Service, Inc. (Moody's) and AA+ by Fitch Inc. (Fitch). Standard & Poor's Ratings Services (S&P) rates the State's general obligation debt as AA+, other than Highway Capital Improvement Obligations, which are rated AAA.

For special obligation bonds, which the Ohio Building Authority and the Treasurer of State issue and General Revenue Fund appropriations secure, Moody's rating is Aa2 while S&P and Fitch rate these bonds AA.

The State's revenue bonds are rated as follows:

Revenue Bonds	Fitch	Moody's	S&P	Source of State Payment
Governmental Activities:				
Treasurer of State:				
Economic Development	A+	Aa3	AA-	Net Liquor Profits
State Infrastructure Bank	AA-	Aa2	AA	Federal Transportation Grants and Loan Receipts
Revitalization Projects	A+	A1	A+	Net Liquor Profits
Business-Type Activities:				
Bureau of Workers' Compensation	AA	Aa3	AA	Workers' Compensation Enterprise Fund
Ohio Building Authority	AA	Aa2	AA	Lease-Rental Receipts

On February 16, 2007, Moody's changed their "credit outlook" on the State from "stable" to "negative." The change in credit outlook is not a precursor to a rating change, but is an indication over the intermediate to longer term of a potential change.

Limitations on Debt

Section 17 of Article VIII of the Ohio Constitution, approved by Ohio voters in November 1999, establishes an annual debt service "cap" applicable to future issuances of direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, new obligations may not be issued if debt service for any future fiscal year on those new and the then outstanding bonds of those categories would exceed five percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Those direct obligations of the State include general obligation and special obligation bonds that are paid from the State's GRF, but exclude general obligation debt for both Third Frontier research and development and the development of sites for industry, commerce, distribution, and research and development, and general obligation bonds payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the Director of the Ohio Office of Budget and Management as the state official responsible for making the five-percent determinations and certifications. Application of the five-percent cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly, and that cap does not apply to bonds issued to retire bond anticipation notes for which the requirements were met as to the bonds anticipated at the time of note issuance, or to debt issued to defend the State in time of war.

More detailed information on the State's long-term debt, including changes during the year, can be found in NOTES 10 through 13 and NOTE 15 of the financial statements.

Conditions Expected to Affect Future Operations

Economic Factors

Nationally, economic indicators turned negative as 2007 came to a close, and continued to deteriorate through February. Economists believe real GDP growth slowed abruptly in the fourth quarter of the calendar year. U. S. employment decreased by 20,000 jobs in January 2008 and 63,000 jobs in February 2008, the first monthly declines since August 2003. The unemployment rate increased by .3 percent in December 2007 to five percent, and despite declining to 4.9 percent in January 2008 and 4.8 percent in February 2008, is considered to be a serious warning of imminent recession, since the decline in the unemployment rate resulted from withdrawals from the labor force, apparently as discouraged job seekers stopped looking for work. Personal income growth is starting to show the effects of a half-year of financial strain, and after adjusting for inflation, disposable income increased only .1 percent for the second straight month, and the gain over the last twelve months is only 1.2 percent. During the fourth quarter of calendar year 2007 real gross domestic purchases fell .3 percent, the first decline since the 2001 recession. Evidence indicates that economic activity is decelerating in the wake of the latest surge in the price of oil and a tightening in lending terms. Real GDP grew at an annualized rate of about 4.9 percent in the third quarter of calendar year 2007, but is believed to have slowed to .6 percent for the fourth quarter and 2.2 percent for the year. Global Insight forecasts that the national economy will be in recession during the first half of 2008, during which real GDP is predicted to fall at an annual rate of approximately .5 percent in each of the first two quarters of calendar year 2008, before recovering to about a three percent growth rate in the second half of the year. Consumer spending is expected to slow in the first quarter of calendar year 2008 under the weight of high energy prices, sagging home prices, and upward adjustments in mortgage payments. Growth in business investment is projected to slow to a halt in the first half of calendar year 2008, as spending on equipment and software slows and spending on structures turns negative. Housing is expected to continue to subtract from overall growth through the third quarter. Export growth will remain the lone bright spot in calendar year 2008, according to the latest outlook. The outlook remains highly uncertain, however, the message of the leading economic indicators is more negative than it has been since the 2001 recession.

In Ohio, employment increased by 18,900 jobs in January 2008 after decreasing by 5,600 jobs during calendar year 2007. Employment increased in 2007 in educational and health services, trade, transportation and utilities, and professional and business services. Employment levels decreased in manufacturing, leisure and hospitality, construction, and financial activities.

Ohio personal income advanced 5.1 percent in the third quarter of calendar year 2007 following a two percent gain in the second quarter. Compared with a year earlier, Ohio personal income was higher by 4.9 percent in the third quarter. Wage and salary disbursements, which comprise more than one-half of personal income, increased 4.4 percent from the second quarter of calendar year 2007 and 4.3 percent from the year earlier quarter. In comparison, U.S. personal income was 6.5 percent higher than a year earlier in the third quarter, and wage and salary disbursements were 6.3 percent higher – 1.5 to two percentage points faster than in Ohio.

General Revenue Fund

The Ohio Constitution prohibits the State from borrowing money to fund operating expenditures in the GRF. Therefore, by law, the GRF's budget must be balanced so that appropriations do not exceed available cash receipts and cash balances for the current fiscal year.

Through February 2008, GRF revenues and disbursements remain under estimates. Total year-to-date sources are \$184.2 million, or 1.1 percent, short of estimates. Fiscal year-to-date GRF tax receipts are \$151.7 million, or 1.2 percent, below expectations, with the deficiency mainly coming from the auto sales tax (\$22.3 million, or 3.6 percent), personal income tax (\$118.2 million, or 2.1 percent) and corporate franchise tax (\$35.6 million, or 11.3 percent) categories. Despite zero percent financing offered by many car dealers, auto sales have remained generally weak. The outlook for auto sales tax continues to look weak, due to poor economic conditions facing consumers, such as the deteriorating housing market, tightening credit, record high oil prices, an uncertain labor market, and sliding consumer confidence. For the personal income tax, the shortfall is mainly attributable to withholding payments, which are running behind estimates, and refunds, which are running ahead of estimates. The greater than expected payment of refunds is largely due to the timing of submissions and the processing of refunds. The State Department of Taxation anticipates that the negative variance for personal income tax will be reduced over the remainder of the year. Corporate franchise tax receipts in the first half of the fiscal year usually result from filing extensions and are less predictable than later in the year. For July 2007 through December 2007, refunds paid were higher than expected, and indeed, higher than the payments collected, resulting in negative receipts for the fiscal year-to-date. Non-auto sales taxes continue to perform well, and through February have generated \$69.5 million, or 1.5 percent, more revenue than estimated. However, this continued strength of the non-auto sales tax is somewhat surprising in light of negative economic reports on retail sales, consumer confidence, home sales, and consumer credit. While the overages are welcome, the State's economists are skeptical about whether they can persist in the face of a weakening national economy.

Fiscal year-to-date GRF non-tax receipts are \$5.1 million, or .1 percent under estimate. Included in this total, earnings on investments are nominally \$40 million, or 47.1 percent, under estimate, because the second quarter's earnings for state fiscal year 2008 were not posted by February 29. (The first quarter's earnings totaled \$45 million). Other income exceeded estimates by \$27.1 million or 76.6 percent and is due to earlier than expected collections from unclaimed funds.

GRF total uses for the fiscal year-to-date are running approximately \$310.3 million, or 1.7 percent, below estimates. Disbursements in primary, secondary and other education were \$160.9 million, or 3.3 percent, under estimate. This is primarily due to disbursements for various grants being lower than anticipated due to delays in making expenditures. Also, several new grant programs are still in development, and have yet to make any disbursements. It is expected that these disbursements will increase in the coming months and meet estimates. Disbursements in the higher education function were \$61 million, or 3.4 percent, below estimate, again largely due to under-spending in some new grant programs that are slow to get started.

Public Assistance and Medicaid disbursements are \$15.4 million, or .2 percent, below estimate so far for the fiscal year. GRF disbursements just for the Medicaid program alone are \$10.6 million above estimate for the fiscal year-to-date. Although it would seem that Medicaid spending is running close to target, House Bill 119 for the 2006-07 biennium assumed that rate increases for hospitals and community providers, as well as the implementation of all various program expansions, would begin January 1, 2008. Due to the higher-than-expected caseloads, the Administration has taken the initiative to effectively manage the costs associated with the unexpected accelerated increase in caseloads and unrealized cost containment measures by delaying the implementation of provider rate increases and program expansions. These increased caseloads and unrealized cost containment measures, net of the delayed implementation of the program expansions, are expected to increase spending by \$132.4 million in fiscal year 2008.

Contacting the Ohio Office of Budget and Management

This financial report is designed to provide the State's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Ohio Office of Budget and Management, Financial Reporting Section, 30 East Broad Street, 34th Floor, Columbus, Ohio 43215-3457 or by e-mail at obm@obm.state.oh.us.

BASIC FINANCIAL STATEMENTS

STATE OF OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2007
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer.....	\$ 7,299,881	\$ 124,854	\$ 7,424,735	\$ 541,343
Cash and Cash Equivalents.....	114,539	342,232	456,771	892,736
Investments.....	899,044	16,496,675	17,395,719	6,909,258
Collateral on Lent Securities.....	4,110,979	62,127	4,173,106	299,861
Deposit with Federal Government.....	—	591,758	591,758	—
Taxes Receivable.....	1,558,971	—	1,558,971	—
Intergovernmental Receivable.....	1,474,142	10,089	1,484,231	50,514
Premiums and				
Assessments Receivable.....	—	3,847,817	3,847,817	—
Investment Trade Receivable.....	—	187,946	187,946	—
Loans Receivable, Net.....	992,298	—	992,298	267,642
Receivable from Primary Government.....	—	—	—	36,286
Other Receivables.....	643,803	415,257	1,059,060	955,080
Inventories.....	51,671	37,467	89,138	56,200
Other Assets.....	84,980	19,218	104,198	582,478
Restricted Assets:				
Cash Equity with Treasurer.....	—	273	273	22,336
Cash and Cash Equivalents.....	—	1,564	1,564	348,016
Investments.....	—	1,535,947	1,535,947	1,693,431
Collateral on Lent Securities.....	—	410,718	410,718	12,534
Intergovernmental Receivable.....	—	—	—	57
Loans Receivable, Net.....	—	—	—	3,614,354
Other Receivables.....	—	5,211	5,211	—
Capital Assets Being Depreciated, Net.....	2,441,822	119,098	2,560,920	7,713,208
Capital Assets Not Being Depreciated.....	21,816,457	11,994	21,828,451	1,104,276
TOTAL ASSETS.....	41,488,587	24,220,245	65,708,832	25,099,610
LIABILITIES:				
Accounts Payable.....	731,716	51,973	783,689	421,304
Accrued Liabilities.....	357,270	5,996	363,266	580,945
Medicaid Claims Payable.....	921,169	—	921,169	—
Obligations Under Securities Lending.....	4,110,979	472,845	4,583,824	312,395
Investment Trade Payable.....	—	252,525	252,525	—
Intergovernmental Payable.....	1,517,837	1,438	1,519,275	151
Internal Balances.....	881,389	(881,389)	—	—
Payable to Component Units.....	36,321	—	36,321	—
Unearned Revenue.....	254,220	1,001	255,221	325,579
Benefits Payable.....	—	4,456	4,456	—
Refund and Other Liabilities.....	874,025	95,375	969,400	123,442
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year.....	1,095,192	17,719	1,112,911	840,622
Due in More Than One Year.....	10,266,089	98,021	10,364,110	5,438,527
Certificates of Participation:				
Due in One Year.....	9,372	—	9,372	775
Due in More Than One Year.....	112,810	—	112,810	26,365
Other Noncurrent Liabilities:				
Due in One Year.....	170,817	2,514,547	2,685,364	1,207,725
Due in More Than One Year.....	618,927	18,459,207	19,078,134	1,695,924
TOTAL LIABILITIES.....	21,958,133	21,093,714	43,051,847	10,973,754

The notes to the financial statements are an integral part of this statement.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET ASSETS:				
<i>Invested in Capital Assets,</i>				
<i>Net of Related Debt.....</i>	21,477,381	19,322	21,496,703	5,305,773
<i>Restricted for:</i>				
<i>Primary, Secondary and Other Education</i>	34,019	—	34,019	—
<i>Transportation and Highway Safety.....</i>	1,032,112	—	1,032,112	—
<i>State and Local</i>				
<i>Highway Construction.....</i>	126,323	—	126,323	—
<i>Federal Programs.....</i>	81,639	—	81,639	19
<i>Coal Research</i>				
<i>and Development Program.....</i>	—	—	—	4,130
<i>Clean Ohio Program.....</i>	85,209	—	85,209	—
<i>Community and Economic Development</i>				
<i>and Capital Purposes.....</i>	991,094	—	991,094	22,336
<i>Debt Service.....</i>	—	—	—	2,448,952
<i>Enterprise Bond Program.....</i>	10,000	—	10,000	—
<i>Deferred Lottery Prizes.....</i>	—	13,272	13,272	—
<i>Unemployment Compensation.....</i>	—	608,364	608,364	—
<i>Ohio Building Authority.....</i>	—	28,390	28,390	—
<i>Tuition Trust Authority.....</i>	—	32,100	32,100	—
<i>Nonexpendable for</i>				
<i>Colleges and Universities.....</i>	—	—	—	3,596,345
<i>Expendable for</i>				
<i>Colleges and Universities.....</i>	—	—	—	1,922,912
<i>Unrestricted.....</i>	(4,307,323)	2,425,083	(1,882,240)	825,389
TOTAL NET ASSETS.....	\$ 19,530,454	\$ 3,126,531	\$ 22,656,985	\$ 14,125,856

STATE OF OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)

		PROGRAM REVENUES			
		CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE
FUNCTIONS/PROGRAMS	EXPENSES				
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Primary, Secondary					
and Other Education.....	\$ 11,467,076	\$ 29,187	\$ 1,674,110	\$ 16	\$ (9,763,763)
Higher Education Support	2,546,530	8,012	23,707	—	(2,514,811)
Public Assistance and Medicaid	15,782,074	832,275	10,133,332	—	(4,816,467)
Health and Human Services	3,538,858	257,446	2,042,689	2,093	(1,236,630)
Justice and Public Protection	3,102,172	929,689	239,930	1,939	(1,930,614)
Environmental Protection					
and Natural Resources.....	435,235	220,412	86,032	2,092	(126,699)
Transportation	1,998,166	29,993	108,943	1,271,322	(587,908)
General Government	884,590	455,656	237,366	3,769	(187,799)
Community and Economic					
Development.....	3,789,404	338,337	417,989	5,195	(3,027,883)
Interest on Long-Term Debt					
(excludes interest charged as program expense).....	169,776	—	—	—	(169,776)
TOTAL GOVERNMENTAL ACTIVITIES	43,713,881	3,101,007	14,964,098	1,286,426	(24,362,350)
BUSINESS-TYPE ACTIVITIES:					
Workers' Compensation.....	2,760,313	4,288,636	911,430	—	2,439,753
Lottery Commission.....	1,696,881	2,267,134	60,365	—	630,618
Unemployment Compensation.....	1,175,682	1,112,423	24,804	—	(38,455)
Ohio Building Authority.....	28,188	26,118	1,463	—	(607)
Tuition Trust Authority.....	91,416	10,924	341,752	—	261,260
Liquor Control.....	444,119	639,664	—	—	195,545
Underground Parking Garage.....	2,519	2,768	25	—	274
Office of Auditor of State.....	74,487	41,883	48	—	(32,556)
TOTAL BUSINESS-TYPE ACTIVITIES...	6,273,605	8,389,550	1,339,887	—	3,455,832
TOTAL PRIMARY GOVERNMENT.....	\$ 49,987,486	\$ 11,490,557	\$ 16,303,985	\$ 1,286,426	\$ (20,906,518)
COMPONENT UNITS:					
School Facilities Commission.....	\$ 869,189	\$ 1,485	\$ 28,231	\$ —	\$ (839,473)
Ohio Water Development Authority.....	130,521	141,883	172,438	—	183,800
Ohio State University.....	3,670,254	2,560,623	614,996	28,725	(465,910)
University of Cincinnati.....	992,084	401,940	470,384	2,675	(117,085)
Other Component Units.....	4,378,614	2,687,065	521,979	71,251	(1,098,319)
TOTAL COMPONENT UNITS.....	\$ 10,040,662	\$ 5,792,996	\$ 1,808,028	\$ 102,651	\$ (2,336,987)

The notes to the financial statements are an integral part of this statement.

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
CHANGES IN NET ASSETS:				
Net (Expense) Revenue.....	\$ (24,362,350)	\$ 3,455,832	\$ (20,906,518)	\$ (2,336,987)
General Revenues:				
Taxes:				
Income.....	9,630,983	—	9,630,983	—
Sales.....	7,755,604	—	7,755,604	—
Corporate and Public Utility	2,615,648	—	2,615,648	—
Cigarette.....	986,546	—	986,546	—
Other.....	672,598	—	672,598	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes.....	1,835,478	—	1,835,478	—
Total Taxes.....	23,496,857	—	23,496,857	—
Tobacco Settlement.....	361,552	—	361,552	—
Escheat Property.....	31,009	—	31,009	—
Unrestricted Investment Income.....	206,414	—	206,414	759,838
State Assistance	—	—	—	2,730,730
Other.....	383	372	755	103,816
Additions to Endowments and Permanent Fund Principal.....	—	—	—	113,438
Special Items.....	—	—	—	(5,444)
Transfers-Internal Activities.....	853,171	(853,171)	—	—
TOTAL GENERAL REVENUES, CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS.....	24,949,386	(852,799)	24,096,587	3,702,378
CHANGE IN NET ASSETS.....	587,036	2,603,033	3,190,069	1,365,391
NET ASSETS, JULY 1 (as restated)..<	18,943,418	523,498	19,466,916	12,760,465
NET ASSETS, JUNE 30.....	\$ 19,530,454	\$ 3,126,531	\$ 22,656,985	\$ 14,125,856

STATE OF OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007
(dollars in thousands)

MAJOR FUNDS			
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	EDUCATION
ASSETS:			
Cash Equity with Treasurer	\$ 3,152,498	\$ 232,344	\$ 123,041
Cash and Cash Equivalents	16,270	4,456	61
Investments	495,719	8,137	2,777
Collateral on Lent Securities	1,782,443	130,381	69,045
Taxes Receivable	983,703	—	—
Intergovernmental Receivable	509,613	395,488	127,596
Loans Receivable, Net	237,623	—	99
Interfund Receivable	2,992	21	—
Other Receivables	169,078	178,390	399
Inventories	23,717	—	—
Other Assets	8,177	1,001	4,218
TOTAL ASSETS	\$ 7,381,833	\$ 950,218	\$ 327,236
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 193,394	\$ 74,161	\$ 17,558
Accrued Liabilities	141,217	17,972	1,912
Medicaid Claims Payable	784,423	3,995	—
Obligations Under Securities Lending	1,782,443	130,381	69,045
Intergovernmental Payable	436,195	179,016	69,806
Interfund Payable	640,920	16,900	2,685
Payable to Component Units	17,317	965	911
Deferred Revenue	325,669	158,682	10,026
Unearned Revenue	—	163,890	53,508
Refund and Other Liabilities	796,017	5,135	—
Liability for Escheat Property	8,712	—	—
TOTAL LIABILITIES	5,126,307	751,097	225,451
FUND BALANCES:			
Reserved for:			
Debt Service	—	—	—
Encumbrances	368,617	819,366	25,149
Noncurrent Portion of Loans Receivable	234,389	—	99
Loan Commitments	—	—	—
Inventories	23,717	—	—
State and Local Highway Construction	—	—	—
Federal Programs	—	16,092	8,668
Other	60,408	22,262	451
Unreserved/Designated	1,012,289	—	—
Unreserved/Undesignated:			
General Fund	556,106	—	—
Special Revenue Funds	—	(658,599)	67,418
Debt Service Funds	—	—	—
Capital Projects Funds	—	—	—
TOTAL FUND BALANCES	2,255,526	199,121	101,785
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 7,381,833	\$ 950,218	\$ 327,236

The notes to the financial statements are an integral part of this statement.

<u>HIGHWAY OPERATING</u>	<u>REVENUE DISTRIBUTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ 858,597	\$ 273,118	\$ 2,660,283	\$ 7,299,881
460	9,330	83,962	114,539
—	—	392,411	899,044
482,484	153,262	1,493,364	4,110,979
90,543	478,126	6,599	1,558,971
142,056	—	299,389	1,474,142
99,458	—	655,118	992,298
630	—	4,650	8,293
5,157	1,500	289,279	643,803
27,954	—	—	51,671
1,543	—	14,916	29,855
<u>\$ 1,708,882</u>	<u>\$ 915,336</u>	<u>\$ 5,899,971</u>	<u>\$ 17,183,476</u>
\$ 199,568	\$ —	\$ 247,035	\$ 731,716
24,770	—	48,317	234,188
—	—	132,751	921,169
482,484	153,262	1,493,364	4,110,979
2,304	651,760	178,756	1,517,837
103,597	1,026	124,554	889,682
465	—	16,663	36,321
6,277	27,813	358,083	886,550
1,221	6,815	28,786	254,220
—	70,389	2,484	874,025
—	—	—	8,712
<u>820,686</u>	<u>911,065</u>	<u>2,630,793</u>	<u>10,465,399</u>
—	—	37,510	37,510
1,467,277	—	1,948,145	4,628,554
98,230	—	650,750	983,468
—	—	67,005	67,005
27,954	—	—	51,671
—	126,323	—	126,323
8,353	—	24,601	57,714
6,446	—	37,288	126,855
—	—	—	1,012,289
—	—	—	556,106
(720,064)	(122,052)	744,875	(688,422)
—	—	(20)	(20)
—	—	(240,976)	(240,976)
<u>888,196</u>	<u>4,271</u>	<u>3,269,178</u>	<u>6,718,077</u>
<u>\$ 1,708,882</u>	<u>\$ 915,336</u>	<u>\$ 5,899,971</u>	<u>\$ 17,183,476</u>

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STATE OF OHIO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007
(dollars in thousands)

Total Fund Balances for Governmental Funds..... **\$ 6,718,077**

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

Land.....	1,817,502
Buildings and Improvements, net of \$1,457,001 accumulated depreciation.....	1,925,273
Land Improvements, net of \$165,869 accumulated depreciation.....	195,045
Machinery and Equipment, net of \$417,725 accumulated depreciation.....	194,971
Vehicles, net of \$123,078 accumulated depreciation.....	143,701
Infrastructure, net of \$4,922 accumulated depreciation.....	18,224,264
Construction-in-Progress.....	1,757,523
	<u>24,258,279</u>

Some of the State's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.

Taxes Receivable.....	264,887
Intergovernmental Receivable.....	313,226
Other Receivables.....	292,408
Other Assets.....	16,029
	<u>886,550</u>

Unamortized bond issue costs are not financial resources, and therefore, are not reported in the funds.

55,125

The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

<i>Accrued Liabilities:</i>	
Interest Payable.....	(123,082)
<i>Bonds and Notes Payable:</i>	
General Obligation Bonds.....	(7,583,266)
Revenue Bonds.....	(811,910)
Special Obligation Bonds.....	(2,966,105)
Certificates of Participation.....	(122,182)
<i>Other Noncurrent Liabilities:</i>	
Compensated Absences.....	(450,288)
Capital Leases Payable.....	(18,737)
Litigation Liabilities.....	(4,698)
Estimated Claims Payable.....	(8,776)
Liability for Escheat Property.....	(298,533)
	<u>(12,387,577)</u>

Total Net Assets of Governmental Activities..... **\$ 19,530,454**

The notes to the financial statements are an integral part of this statement.

STATE OF OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	EDUCATION
REVENUES:			
Income Taxes	\$ 8,863,302	\$ —	\$ —
Sales Taxes	7,432,423	—	—
Corporate and Public Utility Taxes	1,583,791	—	—
Motor Vehicle Fuel Taxes	—	—	—
Cigarette Taxes	986,546	—	—
Other Taxes	612,304	3,294	—
Licenses, Permits and Fees	288,648	493,904	1,030
Sales, Services and Charges	48,876	776	424
Federal Government	5,362,256	5,291,927	1,673,940
Tobacco Settlement	—	—	—
Escheat Property	83,991	—	—
Investment Income	416,563	26,758	6,394
Other	252,599	151,057	23,975
TOTAL REVENUES	25,931,299	5,967,716	1,705,763
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	8,122,716	2,350	2,331,809
Higher Education Support	2,219,152	2,220	27,554
Public Assistance and Medicaid	10,352,604	5,350,845	—
Health and Human Services	1,207,960	571,869	2,194
Justice and Public Protection	2,020,294	49,087	21,085
Environmental Protection and Natural Resources	93,787	—	—
Transportation	22,190	—	—
General Government	538,117	3,171	—
Community and Economic Development	552,796	59,800	—
CAPITAL OUTLAY	114	2,594	—
DEBT SERVICE	14,575	—	—
TOTAL EXPENDITURES	25,144,305	6,041,936	2,382,642
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	786,994	(74,220)	(676,879)
OTHER FINANCING SOURCES (USES):			
Bonds and Certificates of Participation Issued	525,000	—	—
Refunding Bonds Issued	—	—	—
Payment to Refunded Bond Escrow Agents	—	—	—
Premiums	—	—	—
Capital Leases	9,999	—	—
Transfers-in	346,399	110,865	745,635
Transfers-out	(1,322,012)	(15,231)	(31,789)
TOTAL OTHER FINANCING SOURCES (USES)	(440,614)	95,634	713,846
NET CHANGE IN FUND BALANCES	346,380	21,414	36,967
FUND BALANCES (DEFICITS), JULY 1	1,909,683	177,707	64,818
Decrease for Changes in Inventories	(537)	—	—
FUND BALANCES, JUNE 30	\$ 2,255,526	\$ 199,121	\$ 101,785

The notes to the financial statements are an integral part of this statement.

<u>HIGHWAY OPERATING</u>	<u>REVENUE DISTRIBUTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ —	\$ 829,300	\$ 8,299	\$ 9,700,901
—	301,264	21,918	7,755,605
—	1,030,170	1,688	2,615,649
664,029	1,147,244	24,204	1,835,477
—	—	—	986,546
—	14,970	42,030	672,598
67,659	368,735	1,041,691	2,261,667
1,949	—	26,782	78,807
1,325,456	—	2,009,569	15,663,148
—	—	308,488	308,488
—	—	—	83,991
34,799	2,777	132,354	619,645
22,651	140	311,769	762,191
<u>2,116,543</u>	<u>3,694,600</u>	<u>3,928,792</u>	<u>43,344,713</u>
—	550,937	292,940	11,300,752
—	—	188,224	2,437,150
—	—	71,003	15,774,452
—	519	1,683,010	3,465,552
—	322,504	636,856	3,049,826
—	—	325,537	419,324
2,163,070	—	776	2,186,036
—	—	213,153	754,441
—	2,079,112	972,843	3,664,551
—	—	451,053	453,761
—	—	1,592,509	1,607,084
<u>2,163,070</u>	<u>2,953,072</u>	<u>6,427,904</u>	<u>45,112,929</u>
<u>(46,527)</u>	<u>741,528</u>	<u>(2,499,112)</u>	<u>(1,768,216)</u>
—	—	957,830	1,482,830
—	—	259,205	259,205
—	—	(279,651)	(279,651)
—	—	87,878	87,878
—	—	8,943	18,942
498,034	156,852	1,690,634	3,548,419
(313,456)	(921,978)	(90,782)	(2,695,248)
<u>184,578</u>	<u>(765,126)</u>	<u>2,634,057</u>	<u>2,422,375</u>
<u>138,051</u>	<u>(23,598)</u>	<u>134,945</u>	<u>654,159</u>
752,824	27,869	3,134,233	6,067,134
(2,679)	—	—	(3,216)
<u>\$ 888,196</u>	<u>\$ 4,271</u>	<u>\$ 3,269,178</u>	<u>\$ 6,718,077</u>

STATE OF OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds.....	\$ 654,159
Change in Inventories.....	(3,216)
	<u>650,943</u>

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay Expenditures.....	622,446	
Depreciation Expense.....	(192,940)	
Excess of Capital Outlay Over Depreciation Expense.....		<u>429,506</u>

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

General Obligation Bonds.....	(1,150,720)	
Revenue Bonds.....	(185,250)	
Special Obligation Bonds.....	(115,000)	
Refunding Bonds, including Bond Premium/Discount, Net.....	(281,390)	
Certificates of Participation.....	(31,860)	
Premiums and Discounts, Net:		
General Obligation Bonds.....	(53,179)	
Revenue Bonds.....	(7,075)	
Special Obligation Bonds.....	(3,678)	
Certificates of Participation.....	(1,761)	
Deferred Refunding Loss.....	16,831	
Capital Leases.....	(18,942)	
Total Debt Proceeds.....		<u>(1,832,024)</u>

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

<i>Debt Principal Retirement and Defeasements:</i>		
General Obligation Bonds.....	501,800	
Revenue Bonds.....	198,050	
Special Obligation Bonds.....	624,568	
Certificates of Participation.....	800	
Capital Lease Payments.....	3,571	
Total Long-Term Debt Repayment.....		<u>1,328,789</u>

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the governmental funds. Deferred revenues decreased by this amount this year.

68,041

The notes to the financial statements are an integral part of this statement.

Some expenses reported in the Statement of Activities are not reported as expenditures in the governmental funds. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the changes in the following balances:

<i>Increase in Bond Issue Costs Included in Other Assets.....</i>	<i>3,274</i>	
<i>Increase in Accrued Interest and Other Accrued Liabilities.....</i>	<i>(298)</i>	
<i>Amortization of Bond Premiums/Accretion of Bond Discount, Net.....</i>	<i>51,558</i>	
<i>Amortization of Deferred Refunding Loss.....</i>	<i>(25,080)</i>	
<i>Increase in Compensated Absences.....</i>	<i>(29,615)</i>	
<i>Increase in Litigation Liabilities.....</i>	<i>(4,698)</i>	
<i>Increase in Estimated Claims Payable.....</i>	<i>(378)</i>	
<i>Increase in Liability for Escheat Property.....</i>	<i>(52,982)</i>	
<i>Total additional expenditures.....</i>		<i>(58,219)</i>
<i>Change in Net Assets of Governmental Activities.....</i>		<i>\$ 587,036</i>

STATE OF OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007 (dollars in thousands)

	GENERAL			
	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Income Taxes	\$ 8,650,000	\$ 8,650,000	\$ 8,885,327	\$ 235,327
Sales Taxes	7,610,000	7,610,000	7,424,469	(185,531)
Corporate and Public Utility Taxes	1,401,200	1,401,200	1,563,679	162,479
Motor Vehicle Fuel Taxes	—	—	—	—
Cigarette Taxes.....	1,020,000	1,020,000	986,251	(33,749)
Other Taxes	595,201	595,201	612,244	17,043
Licenses, Permits and Fees	273,644	273,644	280,357	6,713
Sales, Services and Charges	55,275	55,275	55,634	359
Federal Government	5,894,165	5,894,165	5,417,510	(476,655)
Investment Income	145,222	145,222	181,454	36,232
Other	1,103,348	1,103,348	1,084,760	(18,588)
TOTAL REVENUES.....	26,748,055	26,748,055	26,491,685	(256,370)
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education	7,845,123	7,901,013	7,788,631	112,382
Higher Education Support	2,233,249	2,279,417	2,276,198	3,219
Public Assistance and Medicaid	11,539,101	11,676,558	11,472,597	203,961
Health and Human Services	1,408,928	1,448,958	1,429,684	19,274
Justice and Public Protection	2,165,787	2,216,512	2,173,201	43,311
Environmental Protection and Natural Resources	131,868	133,375	128,880	4,495
Transportation	35,983	35,983	35,809	174
General Government	722,633	750,686	655,024	95,662
Community and Economic Development	674,029	689,452	671,469	17,983
CAPITAL OUTLAY	164	188	164	24
DEBT SERVICE.....	1,212,851	1,206,688	1,172,289	34,399
TOTAL BUDGETARY EXPENDITURES.....	27,969,716	28,338,830	27,803,946	534,884
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....	(1,221,661)	(1,590,775)	(1,312,261)	278,514
OTHER FINANCING SOURCES (USES):				
Transfers-in	562,065	562,065	599,967	37,902
Transfers-out	(405,663)	(405,663)	(411,276)	(5,613)
TOTAL OTHER FINANCING SOURCES (USES).....	156,402	156,402	188,691	32,289
NET CHANGE IN FUND BALANCES.....	\$ (1,065,259)	\$ (1,434,373)	(1,123,570)	\$ 310,803
BUDGETARY FUND BALANCES (DEFICITS), JULY 1			2,069,673	
Outstanding Encumbrances at Beginning of Fiscal Year			661,373	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			\$ 1,607,476	

The notes to the financial statements are an integral part of this statement.

JOB, FAMILY AND OTHER HUMAN SERVICES				EDUCATION			
BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
ORIGINAL	FINAL			ORIGINAL	FINAL		
		\$ —				\$ —	
		—				—	
		—				—	
		—				—	
		—				—	
		3,294				—	
		488,174				1,030	
		776				424	
		3,900,643				1,651,404	
		26,348				6,078	
		485,882				32,557	
		<u>4,905,117</u>				<u>1,691,493</u>	
\$ 128,218	\$ 8,962	2,720	\$ 6,242	\$ 2,553,601	\$ 2,594,328	2,329,348	\$ 264,980
6,523	6,523	3,859	2,664	39,338	71,284	20,057	51,227
7,060,134	7,404,690	5,245,493	2,159,197	—	—	—	—
685,390	694,168	635,739	58,429	1,808	3,363	2,402	961
70,253	92,260	62,555	29,705	38,057	38,690	25,867	12,823
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
2,543	2,543	1,417	1,126	—	—	—	—
—	59,814	59,814	—	—	—	—	—
2,105	28,776	5,102	23,674	—	—	—	—
—	—	—	—	—	—	—	—
<u>\$ 7,955,166</u>	<u>\$ 8,297,736</u>	<u>6,016,699</u>	<u>\$ 2,281,037</u>	<u>\$ 2,632,804</u>	<u>\$ 2,707,665</u>	<u>2,377,674</u>	<u>\$ 329,991</u>
		<u>(1,111,582)</u>				<u>(686,181)</u>	
		60,895				744,018	
		<u>(6,779)</u>				<u>(59,849)</u>	
		<u>54,116</u>				<u>684,169</u>	
		<u>(1,057,466)</u>				<u>(2,012)</u>	
		(2,298,275)				51,489	
		<u>2,495,802</u>				<u>34,445</u>	
		<u>\$ (859,939)</u>				<u>\$ 83,922</u>	

(continued)

STATE OF OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

	HIGHWAY OPERATING			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	BUDGET			
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Income Taxes			\$ —	
Sales Taxes			—	
Corporate and Public Utility Taxes			—	
Motor Vehicle Fuel Taxes			638,723	
Cigarette Taxes.....			—	
Other Taxes			—	
Licenses, Permits and Fees			67,684	
Sales, Services and Charges			1,949	
Federal Government			1,297,690	
Investment Income			34,810	
Other			93,149	
TOTAL REVENUES.....			2,134,005	
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education	\$ —	\$ —	—	\$ —
Higher Education Support	—	—	—	—
Public Assistance and Medicaid	—	—	—	—
Health and Human Services	—	—	—	—
Justice and Public Protection	—	—	—	—
Environmental Protection and Natural Resources	—	—	—	—
Transportation	4,229,818	5,201,122	3,897,991	1,303,131
General Government	—	—	—	—
Community and Economic Development	—	—	—	—
CAPITAL OUTLAY	—	—	—	—
DEBT SERVICE.....	116,053	102,887	102,829	58
TOTAL BUDGETARY EXPENDITURES.....	\$ 4,345,871	\$ 5,304,009	4,000,820	\$ 1,303,189
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....			(1,866,815)	
OTHER FINANCING SOURCES (USES):				
Transfers-in			566,285	
Transfers-out			(279,851)	
TOTAL OTHER FINANCING SOURCES (USES).....			286,434	
NET CHANGE IN FUND BALANCES.....			(1,580,381)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....			(1,021,721)	
Outstanding Encumbrances at Beginning of Fiscal Year			1,774,564	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			\$ (827,538)	

The notes to the financial statements are an integral part of this statement.

REVENUE DISTRIBUTION

BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
ORIGINAL	FINAL		
		\$ 829,300	
		301,264	
		955,519	
		1,105,518	
		—	
		14,970	
		518,046	
		—	
		—	
		2,777	
		142	
		3,727,536	
\$ 521,648	\$ 522,145	520,307	\$ 1,838
—	—	—	—
—	—	—	—
1,865	1,965	1,961	4
530,000	530,000	509,478	20,522
—	—	—	—
—	—	—	—
—	—	—	—
2,064,841	2,132,842	2,047,396	85,446
—	—	—	—
—	—	—	—
\$ 3,118,354	\$ 3,186,952	3,079,142	\$ 107,810
		648,394	
		444,266	
		(1,185,063)	
		(740,797)	
		(92,403)	
		351,925	
		—	
		\$ 259,522	

STATE OF OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS – ENTERPRISE
JUNE 30, 2007
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 12,120	\$ 66,493	\$ —
Cash and Cash Equivalents.....	315,795	12,701	620
Collateral on Lent Securities.....	6,801	37,313	—
Restricted Assets:			
Cash Equity with Treasurer.....	—	273	—
Investments.....	—	56,551	—
Collateral on Lent Securities.....	—	410,718	—
Other Receivables.....	—	5,211	—
Deposit with Federal Government.....	—	—	591,758
Intergovernmental Receivable.....	—	—	3,888
Premiums and Assessments Receivable.....	993,359	—	11,786
Investment Trade Receivable.....	187,946	—	—
Interfund Receivable.....	79,600	—	—
Other Receivables.....	354,299	41,743	9,988
Inventories.....	—	—	—
Other Assets.....	3,136	6,548	7,635
TOTAL CURRENT ASSETS.....	1,953,056	637,551	625,675
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents.....	1,564	—	—
Investments.....	—	632,221	—
Investments.....	16,418,413	—	—
Premiums and Assessments Receivable.....	2,842,672	—	—
Interfund Receivable.....	808,154	—	—
Capital Assets Being Depreciated, Net.....	104,933	2,740	—
Capital Assets Not Being Depreciated.....	11,994	—	—
TOTAL NONCURRENT ASSETS.....	20,187,730	634,961	—
TOTAL ASSETS.....	22,140,786	1,272,512	625,675
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	9,465	11,033	—
Accrued Liabilities.....	—	—	—
Obligations Under Securities Lending.....	6,801	448,031	—
Investment Trade Payable.....	252,525	—	—
Intergovernmental Payable.....	—	—	1,001
Deferred Prize Awards Payable.....	—	62,035	—
Interfund Payable.....	—	408	—
Unearned Revenue.....	—	993	—
Benefits Payable.....	1,868,461	—	4,456
Refund and Other Liabilities.....	545,543	35,161	11,854
Bonds and Notes Payable.....	15,055	—	—
TOTAL CURRENT LIABILITIES.....	2,697,850	557,661	17,311
NONCURRENT LIABILITIES:			
Deferred Prize Awards Payable.....	—	618,949	—
Interfund Payable.....	—	2,473	—
Benefits Payable.....	15,544,204	—	—
Refund and Other Liabilities.....	1,495,165	3,006	—
Bonds and Notes Payable.....	98,021	—	—
TOTAL NONCURRENT LIABILITIES.....	17,137,390	624,428	—
TOTAL LIABILITIES.....	19,835,240	1,182,089	17,311
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	5,179	2,740	—
Restricted for Deferred Lottery Prizes.....	—	13,272	—
Unrestricted.....	2,300,367	74,411	608,364
TOTAL NET ASSETS.....	\$ 2,305,546	\$ 90,423	\$ 608,364

The notes to the financial statements are an integral part of this statement.

NONMAJOR PROPRIETARY FUNDS		TOTAL	
\$	46,241	\$	124,854
	13,116		342,232
	18,013		62,127
	—		273
	111,957		168,508
	—		410,718
	—		5,211
	—		591,758
	6,201		10,089
	—		1,005,145
	—		187,946
	1,932		81,532
	9,227		415,257
	37,467		37,467
	1,899		19,218
	246,053		3,462,335
	—		1,564
	735,218		1,367,439
	78,262		16,496,675
	—		2,842,672
	7,686		815,840
	11,425		119,098
	—		11,994
	832,591		21,655,282
	1,078,644		25,117,617
	31,475		51,973
	5,996		5,996
	18,013		472,845
	—		252,525
	437		1,438
	—		62,035
	2,996		3,404
	8		1,001
	82,500		1,955,417
	4,368		596,926
	2,664		17,719
	148,457		3,421,279
	—		618,949
	10,106		12,579
	788,500		16,332,704
	9,383		1,507,554
	—		98,021
	807,989		18,569,807
	956,446		21,991,086
	11,403		19,322
	—		13,272
	110,795		3,093,937
\$	122,198	\$	3,126,531

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS – ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2007 (dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services.....	\$ —	\$ 2,259,397	\$ 14,765
Premium and Assessment Income.....	4,270,933	—	1,058,017
Federal Government.....	—	—	20,179
Investment Income.....	—	—	—
Other.....	17,703	7,737	19,483
TOTAL OPERATING REVENUES.....	4,288,636	2,267,134	1,112,444
OPERATING EXPENSES:			
Costs of Sales and Services.....	—	—	—
Administration.....	41,388	108,420	—
Bonuses and Commissions.....	—	139,961	—
Prizes.....	—	1,338,366	—
Benefits and Claims.....	2,667,148	—	1,175,507
Depreciation.....	11,096	780	—
Other.....	40,681	37	175
TOTAL OPERATING EXPENSES.....	2,760,313	1,587,564	1,175,682
OPERATING INCOME (LOSS).....	1,528,323	679,570	(63,238)
NONOPERATING REVENUES (EXPENSES):			
Investment Income.....	911,430	60,365	24,783
Interest Expense.....	—	(23,888)	—
Federal Grants.....	—	—	—
Other.....	—	(85,429)	372
TOTAL NONOPERATING REVENUES (EXPENSES).....	911,430	(48,952)	25,155
INCOME (LOSS) BEFORE TRANSFERS.....	2,439,753	630,618	(38,083)
TRANSFERS:			
Transfers-in.....	—	—	9,903
Transfers-out.....	(7,586)	(669,834)	(39,122)
TOTAL TRANSFERS.....	(7,586)	(669,834)	(29,219)
NET INCOME (LOSS).....	2,432,167	(39,216)	(67,302)
NET ASSETS (DEFICITS), JULY 1	(126,621)	129,639	675,666
NET ASSETS, JUNE 30.....	\$ 2,305,546	\$ 90,423	\$ 608,364

The notes to the financial statements are an integral part of this statement.

NONMAJOR PROPRIETARY FUNDS	TOTAL
\$ 718,057	\$ 2,992,219
—	5,328,950
—	20,179
116,833	116,833
228,219	273,142
1,063,109	8,731,323
474,720	474,720
79,687	229,495
—	139,961
—	1,338,366
81,334	3,923,989
2,520	14,396
2,096	42,989
640,357	6,163,916
422,752	2,567,407
1,488	998,066
(265)	(24,153)
48	48
(107)	(85,164)
1,164	888,797
423,916	3,456,204
49,850	59,753
(196,382)	(912,924)
(146,532)	(853,171)
277,384	2,603,033
(155,186)	523,498
\$ 122,198	\$ 3,126,531

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS – ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ —	\$ 2,257,758	\$ —
Cash Received from Premiums and Assessments.....	2,303,398	—	1,114,081
Cash Received from Multi-State Lottery for Grand Prize Winner.....	—	46,584	—
Cash Received from Interfund Services Provided.....	62,218	2,089	—
Other Operating Cash Receipts.....	31,122	5,649	18,405
Cash Payments to Suppliers for Goods and Services.....	(69,315)	(83,575)	(166)
Cash Payments to Employees for Services.....	(247,020)	(24,020)	—
Cash Payments for Benefits and Claims.....	(2,168,994)	—	(1,060,057)
Cash Payments for Lottery Prizes.....	—	(1,485,872)	—
Cash Payments for Bonuses and Commissions.....	—	(139,994)	—
Cash Payments for Premium Reductions and Refunds.....	(138,935)	—	—
Cash Payments for Interfund Services Used.....	(11,501)	(3,118)	—
Other Operating Cash Payments.....	—	(37)	(45,966)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	(239,027)	575,464	26,297
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	9,903
Transfers-out	(7,586)	(669,834)	(39,122)
Federal Grants.....	—	—	—
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....	(7,586)	(669,834)	(29,219)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases.....	(14,150)	—	—
Interest Paid	(5,901)	—	—
Acquisition and Construction of Capital Assets	(5,157)	(818)	—
Principal Receipts on Capital Leases Receivable.....	—	—	—
Proceeds from Sales of Capital Assets	76	165	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....	(25,132)	(653)	—
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments.....	(21,440,066)	(866,893)	(1,103,044)
Proceeds from the Sales and Maturities of Investments	21,224,871	971,819	1,105,017
Investment Income Received	630,762	29,344	231
Borrower Rebates and Agent Fees.....	(9,489)	(23,973)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....	406,078	110,297	2,204
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS....	134,333	15,274	(718)
CASH AND CASH EQUIVALENTS, JULY 1	195,146	64,193	1,338
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 329,479	\$ 79,467	\$ 620

The notes to the financial statements are an integral part of this statement.

NONMAJOR PROPRIETARY FUNDS	TOTAL
\$ 710,629	\$ 2,968,387
—	3,417,479
—	46,584
2,008	66,315
12,376	67,552
(458,750)	(611,806)
(91,519)	(362,559)
—	(3,229,051)
—	(1,485,872)
—	(139,994)
—	(138,935)
(1,822)	(16,441)
(80,583)	(126,586)
92,339	455,073
49,709	59,612
(196,382)	(912,924)
58	58
(146,615)	(853,254)
(4,665)	(18,815)
(151)	(6,052)
(2,531)	(8,506)
4,373	4,373
89	330
(2,885)	(28,670)
(1,273,015)	(24,683,018)
1,323,311	24,625,018
28,065	688,402
—	(33,462)
78,361	596,940
21,200	170,089
38,157	298,834
\$ 59,357	\$ 468,923
	(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS – ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss).....	\$ 1,528,323	\$ 679,570	\$ (63,238)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	—	—	—
Depreciation	11,096	780	—
Provision for Uncollectible Accounts.....	58,429	—	—
Amortization of Premiums and Discounts.....	(826)	—	—
Interest on Bonds, Notes and Capital Leases.....	5,901	—	—
Decrease (Increase) in Assets:			
Deposit with Federal Government.....	—	—	58,951
Intergovernmental Receivable.....	—	—	(537)
Premiums and Assessments Receivable.....	(1,773,665)	—	44,839
Interfund Receivable.....	76,938	—	—
Other Receivables	(78,100)	(1,688)	(1,062)
Inventories	—	—	—
Other Assets	27	12,107	(307)
Increase (Decrease) in Liabilities:			
Accounts Payable	657	(859)	—
Accrued Liabilities.....	—	—	—
Intergovernmental Payable.....	—	—	74
Deferred Prize Awards Payable.....	—	(127,890)	—
Interfund Payable.....	—	(1,448)	—
Unearned Revenue	(372,847)	50	—
Benefits Payable.....	161,987	—	(11,612)
Refund and Other Liabilities.....	143,053	14,842	(811)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ (239,027)	\$ 575,464	\$ 26,297
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments.....	\$ 109,160	\$ 5,078	\$ —
Contributions of Capital Assets from Other Funds.....	—	—	—
Capital Assets Acquired under Capital Leases.....	—	—	—

The notes to the financial statements are an integral part of this statement.

NONMAJOR PROPRIETARY FUNDS		TOTAL	
\$	422,752	\$	2,567,407
	(116,833)		(116,833)
	2,521		14,397
	—		58,429
	487		(339)
	—		5,901
	—		58,951
	2,799		2,262
	—		(1,728,826)
	(43)		76,895
	(492)		(81,342)
	(1,054)		(1,054)
	357		12,184
	4,507		4,305
	1,816		1,816
	3		77
	—		(127,890)
	7,544		6,096
	(2)		(372,799)
	(224,900)		(74,525)
	(7,123)		149,961
\$	92,339	\$	455,073

\$	—	\$	114,238
	100		100
	21		21

STATE OF OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007
(dollars in thousands)

	PENSION TRUST	PRIVATE- PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/06)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	44,851	50,173	—
Investments (at fair value):			
U.S. Government and Agency Obligations.....	1,030	—	2,945,415
Common and Preferred Stock.....	272,608	—	—
Corporate Bonds and Notes.....	—	—	—
Foreign Stocks and Bonds.....	11,910	—	—
Commercial Paper.....	—	—	951,387
Repurchase Agreements.....	—	—	23,621
Mutual Funds.....	386,298	5,486,234	—
Real Estate.....	47,738	—	—
Venture Capital.....	—	—	—
Direct Mortgage Loans.....	—	—	—
Investment Contracts.....	—	—	—
Partnership and Hedge Funds.....	30,000	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio).....	—	—	—
Collateral on Lent Securities.....	139,368	—	—
Employer Contributions Receivable.....	1,290	—	—
Employee Contributions Receivable.....	1,077	—	—
Other Receivables.....	1,400	7,378	237
Other Assets.....	—	—	—
Capital Assets, Net.....	18	—	—
TOTAL ASSETS.....	937,588	5,543,785	3,920,660
LIABILITIES:			
Accounts Payable.....	1,364	—	—
Accrued Liabilities.....	2,388	6,956	—
Obligations Under Securities Lending.....	139,368	—	—
Intergovernmental Payable.....	—	—	—
Refund and Other Liabilities.....	41	5,961	1,037
TOTAL LIABILITIES.....	143,161	12,917	1,037
NET ASSETS:			
Held in Trust for:			
Employees' Pension Benefits.....	684,582	—	—
Employees' Postemployment Healthcare Benefits.....	109,845	—	—
Individuals, Organizations and Other Governments.....	—	5,530,868	—
Pool Participants.....	—	—	3,919,623
TOTAL NET ASSETS.....	\$ 794,427	\$ 5,530,868	\$ 3,919,623

The notes to the financial statements are an integral part of this statement.

AGENCY

\$ 273,250
145,172

11,443,008
72,720,274
12,913,738
40,621,383
3,556,005
27,582
2,629,663
14,055,459
4,800,095
17,046,045
42,953
1,240,954
35,369
153,281
—
—
1,498
442,229
—

182,147,958

—
—
153,281
150,033
181,844,644

182,147,958

—
—
—
—

\$ —

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STATE OF OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)

	PENSION TRUST	PRIVATE- PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/06)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ADDITIONS:			
Contributions from:			
Employer.....	\$ 22,329	\$ —	\$ —
Employees.....	8,610	—	—
Plan Participants.....	—	1,500,870	—
Other.....	648	—	—
Total Contributions.....	31,587	1,500,870	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments.....	94,578	460,508	—
Interest, Dividends and Other.....	18,958	260,313	202,886
Total Investment Income.....	113,536	720,821	202,886
Less: Investment Expense.....	12,211	36,965	3,759
Net Investment Income.....	101,325	683,856	199,127
Capital Share and Individual Account Transactions:			
Shares Sold.....	—	—	13,532,956
Reinvested Distributions.....	—	—	199,127
Shares Redeemed.....	—	—	(13,186,466)
Net Capital Share and Individual Account Transactions.....	—	—	545,617
TOTAL ADDITIONS.....	132,912	2,184,726	744,744
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries.....	40,343	—	—
Healthcare Benefits Paid to Participants or Beneficiaries....	7,981	—	—
Refunds of Employee Contributions.....	299	—	—
Administrative Expense.....	665	—	—
Transfers to Other Retirement Systems.....	915	—	—
Distributions to Shareholders and Plan Participants.....	—	1,061,917	199,127
TOTAL DEDUCTIONS.....	50,203	1,061,917	199,127
CHANGE IN NET ASSETS HELD FOR:			
Employees' Pension Benefits.....	72,085	—	—
Employees' Postemployment Healthcare Benefits.....	10,623	—	—
Individuals, Organizations and Other Governments.....	—	1,122,809	—
Pool Participants.....	—	—	545,617
TOTAL CHANGE IN NET ASSETS.....	82,708	1,122,809	545,617
NET ASSETS, JULY 1.....	711,719	4,408,059	3,374,006
NET ASSETS, JUNE 30.....	\$ 794,427	\$ 5,530,868	\$ 3,919,623

The notes to the financial statements are an integral part of this statement.

STATE OF OHIO
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2007
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (as of 12/31/06)	OHIO STATE UNIVERSITY
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 524,803	\$ —	\$ —
Cash and Cash Equivalents.....	—	26,330	331,289
Investments.....	—	56,983	523,824
Collateral on Lent Securities.....	294,496	—	—
Intergovernmental Receivable.....	—	799	6,053
Loans Receivable, Net.....	1,508	1,741	8,521
Receivable from Primary Government.....	—	—	2,542
Other Receivables.....	4	380	399,774
Inventories.....	—	—	26,195
Other Assets.....	16	—	40,913
TOTAL CURRENT ASSETS.....	820,827	86,233	1,339,111
NONCURRENT ASSETS:			
Restricted Assets:			
Cash Equity with Treasurer.....	—	—	—
Cash and Cash Equivalents.....	—	320,435	—
Investments.....	—	1,112,595	—
Collateral on Lent Securities.....	—	—	—
Intergovernmental Receivable.....	—	57	—
Loans Receivable, Net.....	—	3,614,354	—
Investments.....	—	38,703	2,403,777
Loans Receivable, Net.....	6,645	26,220	61,043
Other Receivables.....	—	4,588	13,337
Other Assets.....	—	41,532	—
Capital Assets Being Depreciated, Net.....	29	1,385	2,492,200
Capital Assets Not Being Depreciated.....	—	539	333,628
TOTAL NONCURRENT ASSETS.....	6,674	5,160,408	5,303,985
TOTAL ASSETS.....	827,501	5,246,641	6,643,096
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	11,165	58,933	150,603
Accrued Liabilities.....	308	9,663	320,120
Obligations Under Securities Lending.....	294,496	—	—
Intergovernmental Payable.....	1,063,903	128	—
Unearned Revenue.....	—	—	125,122
Refund and Other Liabilities.....	800	—	81,510
Bonds and Notes Payable.....	—	124,719	512,837
Certificates of Participation.....	—	—	390
TOTAL CURRENT LIABILITIES.....	1,370,672	193,443	1,190,582
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	1,046,416	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	646	161	204,976
Bonds and Notes Payable.....	—	2,442,231	575,645
Certificates of Participation.....	—	—	5,075
TOTAL NONCURRENT LIABILITIES.....	1,047,062	2,442,392	785,696
TOTAL LIABILITIES.....	2,417,734	2,635,835	1,976,278
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	29	1,924	1,711,274
Restricted for:			
Federal Programs.....	—	—	—
Coal Research and Development Program.....	—	—	—
Community and Economic Development and Capital Purposes....	—	—	—
Debt Service.....	—	2,448,952	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	1,459,705
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	179,309
Current Operations.....	—	—	309,777
Loans, Grants and Other College and University Purposes.....	—	—	42,076
Unrestricted.....	(1,590,262)	159,930	964,677
TOTAL NET ASSETS (DEFICITS).....	\$ (1,590,233)	\$ 2,610,806	\$ 4,666,818

The notes to the financial statements are an integral part of this statement.

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
\$ —	\$ 16,540	\$ 541,343
100,759	434,358	892,736
11,097	1,108,661	1,700,565
—	5,365	299,861
—	43,662	50,514
2,869	31,071	45,710
163	33,581	36,286
67,014	319,411	786,583
1,806	28,199	56,200
17,941	54,653	113,523
201,649	2,075,501	4,523,321
—	22,336	22,336
—	27,581	348,016
—	580,836	1,693,431
—	12,534	12,534
—	—	57
—	—	3,614,354
1,236,356	1,529,857	5,208,693
29,620	98,404	221,932
38,737	111,835	168,497
388,520	38,903	468,955
1,269,011	3,950,583	7,713,208
202,952	567,157	1,104,276
3,165,196	6,940,026	20,576,289
3,366,845	9,015,527	25,099,610
57,135	143,468	421,304
76,006	174,848	580,945
—	17,899	312,395
—	23	1,064,054
29,669	203,588	358,379
43,051	109,103	234,464
131,560	71,506	840,622
90	295	775
337,511	720,730	3,812,938
—	8,408	1,054,824
—	4,519	4,519
227,070	203,728	636,581
776,729	1,643,922	5,438,527
—	21,290	26,365
1,003,799	1,881,867	7,160,816
1,341,310	2,602,597	10,973,754
480,191	3,112,355	5,305,773
—	19	19
—	4,130	4,130
—	22,336	22,336
—	—	2,448,952
147,974	117,027	265,001
92,181	4,180	96,361
679,429	622,526	2,761,660
375,297	98,026	473,323
42,817	159,608	202,425
121,082	17,963	139,045
37,013	116,757	153,770
48,537	14,356	62,893
35,109	121,389	156,498
5	9,084	9,089
23,332	76,253	99,585
119,675	83,562	382,546
8,138	137,998	455,913
16,032	203,040	261,148
(201,277)	1,492,321	825,389
\$ 2,025,535	\$ 6,412,930	\$ 14,125,856

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (for the year ended 12/31/06)	OHIO STATE UNIVERSITY
EXPENSES:			
Primary, Secondary and Other Education.....	\$ 869,183	\$ —	\$ —
Community and Economic Development.....	—	—	—
Cost of Services.....	—	115,572	—
Administration.....	—	10,463	—
Education and General:			
Instruction and Departmental Research.....	—	—	760,923
Separately Budgeted Research.....	—	—	364,170
Public Service.....	—	—	116,504
Academic Support.....	—	—	128,932
Student Services.....	—	—	78,501
Institutional Support.....	—	—	143,956
Operation and Maintenance of Plant.....	—	—	106,564
Scholarships and Fellowships.....	—	—	70,682
Auxiliary Enterprises.....	—	—	204,709
Hospitals.....	—	—	1,443,509
Interest on Long-Term Debt.....	—	—	47,038
Depreciation.....	6	179	193,657
Other.....	—	4,307	11,109
TOTAL EXPENSES.....	869,189	130,521	3,670,254
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	1,485	141,883	2,560,623
Operating Grants, Contributions and Restricted Investment Income.....	28,231	172,438	614,996
Capital Grants, Contributions and Restricted Investment Income.....	—	—	28,725
TOTAL PROGRAM REVENUES.....	29,716	314,321	3,204,344
NET PROGRAM (EXPENSE) REVENUE	(839,473)	183,800	(465,910)
GENERAL REVENUES:			
Unrestricted Investment Income.....	—	5,239	429,584
State Assistance.....	836,600	—	492,892
Other.....	—	2	1,613
TOTAL GENERAL REVENUES.....	836,600	5,241	924,089
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	—	46,426
SPECIAL ITEM.....	—	—	—
CHANGE IN NET ASSETS.....	(2,873)	189,041	504,605
NET ASSETS, JULY 1 (as restated).....	(1,587,360)	2,421,765	4,162,213
NET ASSETS (DEFICITS), JUNE 30.....	\$ (1,590,233)	\$ 2,610,806	\$ 4,666,818

The notes to the financial statements are an integral part of this statement.

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
\$ —	\$ 32,045	\$ 901,228
—	23,103	23,103
—	—	115,572
—	—	10,463
285,671	1,415,518	2,462,112
153,247	180,391	697,808
56,592	121,143	294,239
66,306	403,911	599,149
37,188	207,497	323,186
84,858	392,001	620,815
61,499	274,213	442,276
24,474	179,513	274,669
77,509	593,899	876,117
—	212,566	1,656,075
40,245	63,737	151,020
87,570	243,569	524,981
16,925	35,508	67,849
992,084	4,378,614	10,040,662
401,940	2,687,065	5,792,996
470,384	521,979	1,808,028
2,675	71,251	102,651
874,999	3,280,295	7,703,675
(117,085)	(1,098,319)	(2,336,987)
—	325,015	759,838
205,235	1,196,003	2,730,730
7,033	95,168	103,816
212,268	1,616,186	3,594,384
16,966	50,046	113,438
—	(5,444)	(5,444)
112,149	562,469	1,365,391
1,913,386	5,850,461	12,760,465
\$ 2,025,535	\$ 6,412,930	\$ 14,125,856



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2007, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The State's significant accounting policies are as follows.

A. Financial Reporting Entity

The State of Ohio's primary government includes all funds, elected officials, departments and agencies, bureaus, boards, commissions, and authorities that make up the State's legal entity. Component units, legally separate organizations for which the State's elected officials are financially accountable, also comprise, in part, the State's reporting entity. Additionally, other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete should be included in a government's financial reporting entity.

GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- an organization is fiscally dependent on the primary government.

1. Blended Component Units

The Ohio Building Authority, the Buckeye Tobacco Settlement Financing Authority, and the State Highway Patrol Retirement System are legally separate organizations that provide services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, benefit the State. Therefore, the State reports these organizations' balances and transactions as though they were part of the primary government using the blending method.

2. Discretely Presented Component Units

The component units' columns in the basic financial statements include the financial data of another 27

organizations. The separate discrete column labeled, "Component Units," emphasizes these organizations' separateness from the State's primary government. Officials of the primary government appoint a voting majority of each organization's governing board.

The primary government has the ability to impose its will on the following organizations by modifying or approving their respective budgets.

School Facilities Commission
Cultural Facilities Commission
eTech Ohio Commission
Ohio Air Quality Development Authority

The following organizations impose or potentially impose financial burdens on the primary government.

Ohio Water Development Authority
Ohio State University
University of Cincinnati
Ohio University
Miami University
University of Akron
Bowling Green State University
Kent State University
University of Toledo
Cleveland State University
Youngstown State University
Wright State University
Shawnee State University
Central State University
Terra State Community College
Columbus State Community College
Clark State Community College
Edison State Community College
Southern State Community College
Washington State Community College
Cincinnati State Community College
Northwest State Community College
Owens State Community College

The School Facilities Commission, Cultural Facilities Commission, and eTech Ohio Commission, which are governmental component units that use special revenue fund reporting, do not issue separately audited financial reports.

Information on how to obtain financial statements for the State's component units that do issue their own separately audited financial reports is available from the Ohio Office of Budget and Management.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Joint Ventures and Related Organizations

As discussed in more detail in NOTE 18, the State participates in several joint ventures and has related organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB 14.

B. Basis of Presentation

Government-wide Statements — The Statement of Net Assets and the Statement of Activities display information about the primary government (the State) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Fiduciary funds of the primary government and component units that are fiduciary in nature are reported only in the statements of fiduciary net assets and changes in fiduciary net assets.

For the government-wide financial statements, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the State. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources using the economic resources measurement focus and the accrual basis of accounting. The State presents the statement in a format that displays *assets less liabilities equal net assets*. *Net assets* section is displayed in three components:

- The *Invested in Capital Assets, Net of Related Debt* component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of debt attributable to significant unspent related debt proceeds at year-end is not included in the calculation of this net assets component.
- The *Restricted Net Assets* component represents net assets with constraints placed on their use that are either 1.) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2.) imposed by law through constitutional provisions or enabling legislation. For component units with permanent endowments, restricted net assets are displayed in two additional components — expendable and

nonexpendable. Nonexpendable net assets are those that are required to be retained in perpetuity.

- The *Unrestricted Net Assets* component consists of net assets that do not meet the definition of the preceding two components.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for the different business-type activities of the State. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Centralized expenses have been included in direct expenses. Indirect expenses have not been allocated to the programs or functions reported in the Statement of Activities.

Generally, the State does not incur expenses for which it has the option of first applying restricted or unrestricted resources for their payment.

Program revenues include licenses, permits and other fees, fines, forfeitures, charges paid by the recipients of goods or services offered by the programs, and grants, contributions, and investment earnings that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all tax, tobacco settlement, escheat property revenues, unrestricted investment income, and state assistance, are presented as general revenues.

Fund Financial Statements — The fund financial statements provide information about the State's funds, including the fiduciary funds and blended component units. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Governmental fund types include the General, special revenue, debt service, and capital projects funds. The proprietary funds consist of enterprise funds. Fiduciary fund types include pension trust, private-purpose trust, investment trust, and agency funds.

Operating revenues for the State's proprietary funds mainly consist of charges for sales and services and



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

premium and assessment income since these revenues result from exchange transactions associated with the principal activity of the respective enterprise fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Investment income and revenue from the federal government for extended unemployment benefits are also reported as operating revenues for the Unemployment Compensation Fund, since these sources provide significant funding for the payment of unemployment benefits – the fund's principal activity. Investment income for the Tuition Trust Authority Fund is also reported as operating revenue, since this source provides significant funding for the payment of tuition benefits. Nonoperating revenues for the proprietary funds result from nonexchange transactions or ancillary activities; nonoperating revenues are primarily comprised of investment income and federal operating grants.

Proprietary fund operating expenses principally consist of expenses for the cost of sales and services, administration, bonuses and commissions, prizes, benefits and claims, and depreciation. Nonoperating expenses principally consist of interest expense on debt and the amortization of discount on deferred lottery prize liabilities, which is reported under "Other" nonoperating expenses.

The State reports the following major governmental funds:

General — The General Fund, the State's primary operating fund, accounts for resources of the general government, except those required to be accounted for in another fund.

Job, Family and Other Human Services Special Revenue Fund — This fund accounts for public assistance programs primarily administered by the Department of Job and Family Services, which provides financial assistance, services, and job training to those individuals and families who do not have sufficient resources to meet their basic needs.

Education Special Revenue Fund — This fund accounts for programs administered by the Department of Education, the Ohio Board of Regents, and other various state agencies, which prescribe the State's minimum educational requirements and which provide funding and assistance to local school districts for basic instruction and vocation and technical job training, and to the State's colleges and universities for post-secondary education.

Highway Operating Special Revenue Fund — This fund accounts for programs administered by the De-

partment of Transportation, which is responsible for the planning and design, construction, and maintenance of Ohio's highways, roads, and bridges and for Ohio's public transportation programs.

Revenue Distribution Special Revenue Fund — This fund accounts for tax relief and aid to local government programs, which derive funding from tax and other revenues levied, collected, and designated by the State for these purposes.

The State reports the following major proprietary funds:

Workers' Compensation Enterprise Fund — This fund accounts for the operations of the Ohio Bureau of Workers' Compensation and the Ohio Industrial Commission, which provide workers' compensation insurance services.

Lottery Commission Enterprise Fund — This fund accounts for the State's lottery operations.

Unemployment Compensation Enterprise Fund — This fund, which is administered by the Ohio Department of Job and Family Services, accounts for unemployment compensation benefit claims.

The State reports the following fiduciary fund types:

Pension Trust Fund — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2006.

Private-Purpose Trust Fund — The Private-Purpose Trust Fund accounts for trust arrangements under which principal and income benefit participants in the Variable College Savings Plan, which is administered by the Tuition Trust Authority.

Investment Trust Fund — The STAR Ohio Investment Trust Fund accounts for the state-sponsored external investment pool, which the Treasurer of State administers for local government participants.

Agency Funds — These funds account for the receipt, temporary investment, and remittance of fiduciary resources held on behalf of individuals, private organizations, and other governments.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State reports the following major component unit funds:

The *School Facilities Commission* accounts for grants that provide assistance to local school districts for the construction of school buildings.

The *Ohio Water Development Authority*, *Ohio State University*, and *University of Cincinnati* funds are business-type activities that use proprietary fund reporting. The financial statements for the Ohio Water Development Authority, which provides financial assistance to local governments for the construction of wastewater and sewage facilities, are presented for the fiscal year ended December 31, 2006. The Ohio State University Fund accounts for the university's operations, including its health system, super-computer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board. The University of Cincinnati Fund accounts for the university's operations, including its related foundation.

C. Measurement Focus and Basis of Accounting
Government-wide, Enterprise Fund, and Fiduciary Fund Financial Statements — The State reports the government-wide financial statements and the proprietary fund and fiduciary fund financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The State recognizes revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions when the exchange takes place. When resources are received in advance of the exchange, the State reports the unearned revenue as a liability.

Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include derived taxes, grants, and entitlements. The revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Under the accrual basis, the State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes de-

rived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred.

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue.

Investment income includes the net increase (decrease) in the fair value of investments.

As permitted by GAAP, all governmental and business-type activities and enterprise funds have elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

Governmental Fund Financial Statements — The State reports governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers revenues reported in the governmental funds to be available when the revenues are collectible within 60 days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenue sources susceptible to accrual under the modified accrual basis of accounting include:

- Personal income taxes
- Sales and use taxes
- Motor vehicle fuel taxes
- Charges for goods and services
- Federal government grants
- Tobacco settlement
- Investment income

The State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred and the revenues are collected during the availability period.

For revenue arising from exchange transactions (i.e., charges for goods and services), the State defers



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenue recognition when resources earned from the exchange are not received during the availability period and reports unearned revenue when resources are received in advance of the exchange.

The governmental funds recognize federal government revenue in the period when all applicable eligibility requirements have been met and resources are available. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue. The State defers revenue recognition for reimbursement-type grant programs if the reimbursement is not received during the availability period.

Investment income includes the net increase (decrease) in the fair value of investments.

Licenses, permits, fees, and certain other miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. The "Other" revenue account is comprised of refunds, reimbursements, recoveries, and other miscellaneous income.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, capital lease obligations, compensated absences, and claims and judgments. The governmental funds recognize expenditures for these liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from general long-term debt issuances, including refunding bond proceeds, premiums, and acquisitions under capital leases are reported as other financing sources while discounts and payments to refunded bond escrow agents are reported as other financing uses.

D. Budgetary Process

As the Ohio Revised Code requires, the Governor submits biennial operating and capital budgets to the General Assembly.

The General Assembly approves operating appropriations in annual amounts and capital appropriations in two-year amounts.

The General Assembly enacts the budget through passage of specific departmental line-item appropriations, the legal level of budgetary control. Line-item appropriations are established within funds by program or major object of expenditure. The Governor

nor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

The State's Controlling Board can transfer or increase a line-item appropriation within the limitations set under Sections 127.14 and 131.35, Ohio Revised Code.

All governmental funds are budgeted except the following activities within the debt service and capital projects fund types:

- Improvements General Obligations
- Highway Improvements General Obligations
- Development General Obligations
- Highway General Obligations
- Public Improvements General Obligations
- Vietnam Conflict Compensation
- General Obligations
- Economic Development Revenue Bonds
- Infrastructure Bank Revenue Bonds
- Revitalization Project Revenue Bonds
- Chapter 154 Special Obligations
- School Building Program Special Obligations
- Ohio Building Authority Special Obligations
- Transportation Certificates of Participation
- OAKS Certificates of Participation
- OAKS Project

For budgeted funds, the State's Central Accounting System controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. The State uses the modified cash basis of accounting for budgetary purposes.

The *Detailed Appropriation Summary by Fund Report* is available for public inspection at the Ohio Office of Budget and Management and on its web site at www.obm.ohio.gov/finrep. This Summary provides a more comprehensive accounting of activity on the budgetary basis at the legal level of budgetary control.

In the *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, the State reports estimated revenues and other financing sources and uses for the General Fund only; the State does not estimate revenue and other financing sources and uses for the major special revenue funds or its budgeted nonmajor governmental funds.

Additionally, in the non-GAAP budgetary basis financial statement, "actual" budgetary expenditures include cash disbursements and outstanding encumbrances, as of June 30.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State Highway Patrol Retirement System Pension Trust Fund, the Variable College Savings Plan Private-Purpose Trust Fund, and the STAR Ohio Investment Trust Fund are not legally required to adopt budgets. For budgeted proprietary funds, the State is not legally required to report budgetary data and comparisons for these funds. Also, the State does not present budgetary data for its discretely presented component units.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, NOTE 3 presents a reconciliation of the differences between the GAAP basis and non-GAAP budgetary basis of reporting.

E. Cash Equity with Treasurer and Cash and Cash Equivalents

Cash equity with Treasurer consists of pooled demand deposits and investments carried at fair value. The State's cash pool under the Treasurer of State's administration has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash and cash equivalents include amounts on deposit with financial institutions and cash on hand. The cash and cash equivalents account also includes investments with original maturities of three months or less from the date of acquisition for the Workers' Compensation Enterprise Fund.

Cash equity with Treasurer and cash and cash equivalents, including the portions reported under "Restricted Assets," are considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

Additional disclosures on the State's deposits can be found in NOTE 4.

F. Investments

Investments include long-term investments that may be restricted by law or other legal instruments. With the exception of certain money market investments, which have remaining maturities at the time of purchase of one year or less and are carried at amortized cost, and holdings in the State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool, the State reports investments at fair value based on quoted market prices. STAR Ohio operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940; investments in the 2a7-like pool are reported at amortized cost (which approximates fair value).

The colleges and universities report investments received as gifts at their fair value on the donation date.

The primary government does not manage or provide investment services for investments reported in the Agency Fund that are owned by other, legally separate entities that are not part of the State of Ohio's reporting entity.

Additional disclosures on the State's investments can be found in NOTE 4.

G. Taxes Receivable

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, revenue has been recognized for the receivable. In the fund financial statements only the portion of the receivable collected during the 60-day availability period has been recognized as revenue while the remainder is recorded as deferred revenue. Additional disclosures on taxes receivable can be found in NOTE 5.

H. Intergovernmental Receivable

The intergovernmental receivable balance is primarily comprised of amounts due from the federal government for reimbursement-type grant programs. Advances of resources to recipient local governments before eligibility requirements have been met under government-mandated and voluntary nonexchange programs and amounts due for exchanges of State goods and services with other governments are also reported as intergovernmental receivables. Additional details on the intergovernmental receivable balance can be found in NOTE 5.

I. Inventories

Inventories are valued at cost. Principal inventory cost methods applied include first-in/first-out, average cost, moving-average, and retail.

In the governmental fund financial statements, the State recognizes the costs of material inventories as expenditures when purchased. Inventories do not reflect current appropriable resources in the governmental fund financial statements, and therefore, the State reserves an equivalent portion of fund balance.

J. Restricted Assets

The primary government reports assets restricted for the payment of deferred lottery prize awards, revenue bonds, and tuition benefits in the enterprise funds.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Generally, the component unit funds hold assets in trust under bond covenants or other financing arrangements that legally restrict the use of these assets.

K. Capital Assets

Primary Government

The State reports capital assets purchased with governmental fund resources in the government-wide financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. The State does not report capital assets purchased with governmental fund resources in the fund financial statements. Governmental capital assets are reported net of accumulated depreciation, except for land, construction-in-progress, transportation infrastructure assets, and individual works of art and historical treasures, including historical land improvements and buildings. Transportation infrastructure assets are reported using the "modified approach," as discussed below, and therefore are not depreciable. Individual works of art and historical treasures, including historical land improvements and buildings, are considered to be inexhaustible, and therefore, are not depreciable.

The State reports capital assets purchased with enterprise fund resources and fiduciary fund resources in the government-wide and the fund financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. Capital assets, except for land and construction-in-progress, are reported net of accumulated depreciation.

The State has elected to capitalize its transportation infrastructure assets, defined as bridges, general highways, and priority highways, using the modified approach. Under this approach, the infrastructure assets are not depreciated because the State has committed itself to maintaining the assets at a condition level that the Ohio Department of Transportation (ODOT) has determined to be adequate to meet the needs of the citizenry. Costs of maintaining the bridge and highway infrastructure are not capitalized. New construction that represents additional lane-miles of highway or additional square-footage of bridge deck area and improvements that add to the capacity or efficiency of an asset are capitalized.

ODOT maintains an inventory of its transportation infrastructure capital assets, and conducts annual condition assessments to establish that the condition level that the State has committed itself to maintain-

ing is, in fact, being achieved. ODOT also estimates the amount that must be spent annually to maintain the assets at the desired condition level.

For its other types of capital assets, the State does not capitalize the costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life. Costs of major improvements are capitalized. Interest costs associated with the acquisition of capital assets purchased using governmental fund resources are not capitalized, while those associated with acquisitions purchased using enterprise and fiduciary fund resources are capitalized.

The State does not capitalize collections of works of art or historical treasures that can be found at the Governor's residence, Malabar Farm (i.e., Louis Bromfield estate), which the Ohio Department of Natural Resources operates, the Ohio Arts Council, the State Library of Ohio, and the Capitol Square Review and Advisory Board for the following reasons:

- the collection is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
- the collection is protected, kept unencumbered, cared for, and preserved.
- the collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State has established the following capitalization thresholds:

Buildings	\$ 15,000
Building Improvements	100,000
Land, including easements	All, regardless of cost
Land Improvements	15,000
Machinery and Equipment	15,000
Vehicles	15,000
Infrastructure:	
Highway Network	500,000
Bridge Network.....	500,000
Park and Natural	
Resources Network.....	All, regardless of cost

For depreciable capital assets, the State applies the straight-line method over the following estimated useful lives:

Buildings	20-45 years
Land Improvements	10-30 years
Machinery and Equipment	3-15 years
Vehicles	5-15 years
Park and Natural Resources	
Infrastructure Network.....	10-50 years



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NOTE 8 contains additional disclosures about the primary government's capital assets.

Discretely Presented Component Unit Funds

The discretely presented component unit funds value all capital assets at cost and donated fixed assets at estimated fair value on the donation date. They apply the straight-line method to depreciable capital assets. Additional disclosures about the discretely presented component unit funds' capital assets can be found in NOTE 8.

L. Medicaid Claims Payable

The Medicaid claims liability, which has an average maturity of one year or less, includes an estimate for incurred, but not reported claims.

M. Noncurrent Liabilities

Government-wide Financial Statements — Liabilities whose average maturities are greater than one year are reported in two components — the amount due in one year and the amount due in more than one year. Additional disclosures as to the specific liabilities included in noncurrent liabilities can be found in NOTES 10 through 15.

Fund Financial Statements — Governmental funds recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

The proprietary funds and component unit funds report noncurrent liabilities expected to be financed from their operations.

N. Compensated Absences

Employees of the State's primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum rate of 9.2 hours every two weeks after 25 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 to 55 percent of unused sick leave.

Such leave is liquidated in cash, under certain restrictions, either annually in December, or at the time of termination from employment.

For the governmental funds, the State reports the compensated absences liability as a fund liability

(included in the "Accrued Liabilities" account as a component of wages payable) to the extent it will be liquidated with expendable, available financial resources. For the primary government's proprietary funds and its discretely presented component unit funds, the State reports the compensated absences liability as a fund liability included in the "Refund and Other Liabilities" account.

The State's primary government accrues vacation, compensatory time, and personal leaves as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement.

Sick leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

The State's primary government accrues sick leave using the vesting method. Under this method, the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Included in the compensated absences liability is an amount accrued for salary-related payments directly and incrementally associated with the payment of compensated absences upon termination. Such payments include the primary government's share of Medicare taxes.

For the colleges and universities, vacation and sick leave policies vary by institution.

O. Fund Balance

Fund balance reported in the governmental fund financial statements is classified as follows:

Reserved

Reservations represent balances that are not appropriate or are legally restricted for a specific purpose. Additional details on "Reserved for Other" balances are disclosed in NOTE 17.

Unreserved/Designated

Designations represent balances available for tentative management plans that are subject to change.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unreserved/Undesignated

Unreserved/undesignated fund balances are available for appropriation for the general purpose of the fund.

P. Risk Management

The State's primary government is self-insured for claims under its traditional healthcare plans and for vehicle liability while it has placed public official fidelity bonding with a private insurer. The State self-funds tort liability and most property losses on a pay-as-you-go basis; however, selected state agencies have acquired private insurance for their property losses. While not the predominant participants, the State's primary government and its discretely presented component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their respective workers' compensation liabilities. These liabilities are reported in the governmental funds under the "Interfund Payable" account. (See NOTE 7).

Q. Interfund Balances and Activities

Interfund transactions and balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

In the fund financial statements, interfund activity within and among the three fund categories (governmental, proprietary, and fiduciary) is classified and reported as follows:

Reciprocal interfund activity is the internal counterpart to exchange and exchange-like transactions. This activity includes:

Interfund Loans — Amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

Interfund Services Provided and Used — Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Nonreciprocal interfund activity is the internal counterpart to nonexchange transactions. This activity includes:

Interfund Transfers — Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Interfund Reimbursements — Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Details on interfund balances and transfers are disclosed in NOTE 7.

R. Intra-Entity Balances and Activities

Balances due between the primary government and its discretely presented component units are reported as receivables from component units or primary government and payables to component units or primary government. For each major component unit, the nature and amount of significant transactions with the primary government are disclosed in NOTE 7.

Resource flows between the primary government and its discretely presented component units are reported like external transactions (i.e., revenues and expenses).

S. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.



NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS

A. Restatements

Restatements of net assets, as of June 30, 2006, for the primary government and component units that resulted from prior period adjustments for corrections of errors are presented in the following tables (dollars in thousands).

Government-wide Financial Statements:

	Governmental Activities	Total Primary Government	Component Units
Net Assets, as of June 30, 2006, As Previously Reported	\$18,943,585	\$19,467,083	\$12,763,399
<i>Corrections that Increased/(Decreased) Net Assets:</i>			
Cash and Cash Equivalents	—	—	5
Investments	—	—	(70)
Other Receivables-Accounts	—	—	(1,324)
Capital Assets Being Depreciated, Net	—	—	921
Capital Assets Not Being Depreciated	—	—	286
Accrued Liabilities (Compensated Absences)	—	—	126
Unearned Revenue	—	—	(2,878)
Bonds and Notes Payable	(167)	(167)	—
Total Corrections, Net	(167)	(167)	(2,934)
Net Assets, July 1, 2006, As Restated	\$18,943,418	\$19,466,916	\$12,760,465

Discretely Presented Component Units Fund Financial Statements:

	Nonmajor Component Units	Total Component Units
Net Assets, as of June 30, 2006, As Previously Reported	\$5,853,395	\$12,763,399
<i>Corrections that Increased/(Decreased) Net Assets:</i>		
Cash and Cash Equivalents	5	5
Investments	(70)	(70)
Other Receivables-Accounts	(1,324)	(1,324)
Capital Assets Being Depreciated, Net	921	921
Capital Assets Not Being Depreciated	286	286
Accrued Liabilities (Compensated Absences)	126	126
Unearned Revenue	(2,878)	(2,878)
Total Corrections, Net	(2,934)	(2,934)
Net Assets, July 1, 2006, As Restated	\$5,850,461	\$12,760,465

B. Implementation of Recently Issued Accounting Pronouncements

For the fiscal year ended June 30, 2007, the State implemented the provisions of

- Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

GASB 43 establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans and supersedes guidance included in GASB 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The standards in this Statement apply for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties that administer them.

C. Recently Issued GASB Pronouncements

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This Statement is effective for periods beginning after December 15, 2006, for *phase 1 governments* (those with total annual revenues of \$100 million or more in the first fiscal year ending after June 15, 1999); after December 15, 2007, for *phase 2 governments* (those with total annual revenues of \$10 million or more but less than \$100 million in the first fiscal year ending after June 15, 1999); and after December 15, 2008, for *phase 3 governments* (those with total annual revenues of less than \$10 million in the first fiscal year ending after June 15, 1999).



NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS
(Continued)

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes the criteria for reporting transactions as revenue or as a liability, whereby an interest in the government's expected cash flows from collecting specific receivables or specific revenues are exchanged for immediate cash payments, generally a single lump sum. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The requirements of GASB 48 are effective for financial statements for periods beginning after December 15, 2006.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The requirements of GASB 49 are effective for financial statements for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27*. The requirements of GASB 50 are effective for periods beginning after June 15, 2007. This Statement establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions. It amends note disclosures and required supplementary information (RSI) standards of Statements No. 25, *Financial Reporting for Defined Benefit Pension*

Plans and Note Disclosures for Defined Contribution Plans, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with applicable changes adopted in Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The requirements of GASB 51 are effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies among state and local governments, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The provisions of GASB 52 are effective for financial statements for periods beginning after June 15, 2008. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by similar entities. It requires endowments to report their land and other real estate investments at fair value. Additionally, governments are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for their investments reported at fair value.

Management has not yet determined the impact that the new GASB pronouncements will have on the State's financial statements.



NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS

In the accompanying *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, actual revenues, transfers-in, expenditures, encumbrances, and transfers-out reported on the non-GAAP budgetary basis do not equal those reported on the GAAP basis in the *Statement of Revenues, Expenditures and Changes in Fund Balances — Major Governmental Funds*.

This inequality results primarily from basis differences in the recognition of accruals, deferred revenue, interfund transactions, and loan transactions, and from timing differences in the budgetary basis of accounting for encumbrances. On the non-GAAP budgetary basis, the State recognizes encumbrances as expenditures in the year encumbered, while on the modified accrual basis, the State recognizes expenditures when goods or services are received regardless of the year encumbered.

Original budget amounts in the accompanying budgetary statements have been taken from the first

complete appropriated budget for fiscal year 2007. An appropriated budget is the expenditure authority created by appropriation bills that are signed into law and related estimated revenues. The original budget also includes actual appropriation amounts automatically carried over from prior years by law, including the automatic rolling forward of appropriations to cover prior-year encumbrances.

Final budget amounts represent original appropriations modified by authorized transfers, supplemental and amended appropriations, and other legally authorized legislative and executive changes applicable to fiscal year 2007, whenever signed into law or otherwise legally authorized.

For fiscal year 2007, no excess of expenditures over appropriations were reported in individual funds.

A reconciliation of the fund balances reported under the GAAP basis and budgetary basis for the General Fund and the major special revenue funds is presented on the following page.



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS (Continued)

Primary Government
Reconciliation of GAAP Basis Fund Balances to Non-GAAP Budgetary Basis Fund Balances
For the General Fund and Major Special Revenue Funds
As of June 30, 2007
(dollars in thousands)

	General	Major Special Revenue Funds			
		Job, Family, and Other Human Services	Education	Highway Operating	Revenue Distribution
Total Fund Balances - GAAP Basis	\$2,255,526	\$ 199,121	\$ 101,785	\$ 888,196	\$ 4,271
Less: Reserved Fund Balances	687,131	857,720	34,367	1,608,260	126,323
Less: Designated Fund Balances	1,012,289	—	—	—	—
Unreserved/Undesignated Fund Balances —					
GAAP Basis	556,106	(658,599)	67,418	(720,064)	(122,052)
BASIS DIFFERENCES					
Revenue Accruals/Adjustments:					
Cash Equity with Treasurer	(89,129)	(16,020)	—	(854)	(13,596)
Taxes Receivable	(983,703)	—	—	(90,543)	(478,126)
Intergovernmental Receivable	(509,613)	(395,488)	(127,596)	(142,056)	—
Loans Receivable, Net.....	(237,623)	—	(99)	(99,458)	—
Interfund Receivable.....	(2,992)	(21)	—	(630)	—
Other Receivables	(169,078)	(178,390)	(399)	(5,157)	(1,500)
Deferred Revenue.....	325,669	158,682	10,026	6,277	27,813
Unearned Revenue.....	—	163,890	53,508	1,221	6,815
Total Revenue Accruals/Adjustments	(1,666,469)	(267,347)	(64,560)	(331,200)	(458,594)
Expenditure Accruals/Adjustments:					
Cash Equity with Treasurer	(87,825)	(11,067)	(998)	(17,745)	—
Inventories	(23,717)	—	—	(27,954)	—
Other Assets	(8,177)	(1,001)	(4,218)	(1,543)	—
Accounts Payable	193,394	74,161	17,558	199,568	—
Accrued Liabilities	141,217	17,972	1,912	24,770	—
Medicaid Claims Payable	784,423	3,995	—	—	—
Intergovernmental Payable.....	436,195	179,016	69,806	2,304	651,760
Interfund Payable.....	640,920	16,900	2,685	103,597	1,026
Payable to Component Units	17,317	965	911	465	—
Refund and Other Liabilities	796,017	5,135	—	—	70,389
Liability for Escheat Property	8,712	—	—	—	—
Total Expenditure Accruals/Adjustments	2,898,476	286,076	87,656	283,462	723,175
Other Adjustments:					
Fund Balance Reclassifications:					
From Unreserved (Non-GAAP Budgetary Basis)					
to Reserved for:					
Noncurrent Portion of Loans Receivable.....	234,389	—	99	98,230	—
Inventories	23,717	—	—	27,954	—
State and Local Highway Construction.....	—	—	—	—	126,323
Federal Programs	—	16,092	8,668	8,353	—
Other.....	60,408	22,262	451	6,446	—
From Undesignated (Non-GAAP					
Budgetary Basis) to Designated	1,012,289	—	—	—	—
Cash and Investments Held					
Outside of State Treasury	(511,989)	(12,593)	(2,838)	(460)	(9,330)
Other	—	1	—	—	—
Total Other Adjustments	818,814	25,762	6,380	140,523	116,993
Total Basis Differences	2,050,821	44,491	29,476	92,785	381,574
TIMING DIFFERENCES					
Encumbrances	(999,451)	(245,831)	(12,972)	(200,259)	—
Budgetary Fund Balances (Deficits) —					
Non-GAAP Basis	\$1,607,476	\$ (859,939)	\$ 83,922	\$ (827,538)	\$ 259,522



NOTE 4 DEPOSITS AND INVESTMENTS

A. Legal Requirements

The deposit and investment policies of the Treasurer of State and the State Board of Deposit are governed by the Uniform Depository Act, Chapter 135, Ohio Revised Code, which requires state moneys to be maintained in one of the following three classifications:

Active Deposits — Moneys required to be kept in a cash or near-cash status to meet current demands. Such moneys must be maintained either as cash in the State's treasury or in any of the following: a commercial account that is payable or withdrawable, in whole or in part, on demand, a negotiable order of withdrawal account, a money market deposit account, or a designated warrant clearance account.

Inactive Deposits — Those moneys not required for use within the current two-year period of designation of depositories. Inactive moneys may be deposited or invested only in certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Deposits — Those moneys not required for immediate use, but needed before the end of the current period of designation of depositories. Interim deposits may be deposited or invested in the following instruments:

- U.S. treasury bills, notes, bonds, or other obligations or securities issued by or guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
- Bonds and other direct obligations of the State of Ohio issued by the Treasurer of State and of the Ohio Public Facilities Commission, the Ohio Building Authority, and the Ohio Housing Finance Agency;
- Commercial paper issued by any corporation that is incorporated under the laws of the United States or a state, and rated at the time of purchase in the two highest rating categories by two nationally recognized rating agencies;
- Written repurchase agreements with any eligible Ohio financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer in the securities enumerated above;
- No-load money market mutual funds consisting exclusively of securities and repurchase agreements enumerated above;
- Securities lending agreements with any eligible financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer;
- Bankers' acceptances maturing in 270 days or less;
- Certificates of deposit in the eligible institutions applying for interim moneys, including linked deposits, as authorized under Sections 135.61 to 135.67, Ohio Revised Code; agricultural linked deposits, as authorized under Sections 135.71 to 135.76, Ohio Revised Code; and housing linked deposits, as authorized under Sections 135.81 to 135.87, Ohio Revised Code;
- The Treasurer of State's investment pool, as authorized under Section 135.45, Ohio Revised Code;
- Debt interests, other than commercial paper as enumerated above, of corporations incorporated under the laws of the United States or a state, of foreign nations diplomatically recognized by the United States, or any instrument based on, derived from, or related to such interests that are rated at the time of purchase in the three highest categories by two nationally recognized rating agencies, and denominated and payable in U.S. funds; and
- Obligations of a board of education, as authorized under Section 133.10, Ohio Revised Code.

The reporting entity's deposits must be held in insured depositories approved by the State Board of Deposit and must be fully collateralized. However, in the case of foundations and other component units of the colleges and universities, deposits of these entities are not subject to the legal requirements for deposits of governmental entities.

Deposit and investment policies of certain individual funds and component units are established by Ohio Revised Code provisions other than the Uniform Depository Act and by bond trust agreements. In accordance with applicable statutory authority, the State Highway Patrol Retirement System Pension Trust Fund, the Tuition Trust Authority Enterprise Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency Fund, and the



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

higher education institutions may also invest in common and preferred stocks, domestic and foreign corporate and government bonds and notes, mortgage loans, limited partnerships, venture capital, real estate, and other investments.

B. State-Sponsored Investment Pool

The Treasurer of State is the investment advisor and administrator of the State Treasury Asset Reserve of Ohio (STAR Ohio), a statewide external investment pool authorized under Section 135.45, Ohio Revised Code. STAR Ohio issues a stand-alone financial report, copies of which may be obtained by making a written request to: Director of Investments, Treasurer of State, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215, by calling (614) 466-2160, or by accessing the Treasurer of State's website at www.ohiotreasurer.org.

C. Deposit and Investment Risks

Although exposure to risks is minimized by complying with the legal requirements explained above and internal policies adopted by the Treasurer of State and the investment departments at the various state agencies, the State's deposits and investments are exposed to risks that may lead to losses of value.

The following risk disclosures report investments by type. The "U.S. Agency Obligations" category includes securities issued by federal government agencies and instrumentalities, including government-sponsored enterprises.

1. Custodial Credit Risk

Custodial credit risk for deposits exists when a government is unable to recover deposits or recover collateral securities that are in the possession of an outside party in the event of a failure of a depository financial institution.

Deposits of the primary government and its component units are exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

In Ohio, legal requirements for depositor-governments are met when deposits are collateralized with securities held by the pledging financial institution, or by the pledging financial institution's trust department or agent but not in the government's name. The State's reporting entity has not established specific policies for managing custodial credit risk exposure for deposits.

The table below reports the carrying amount of deposits, as of June 30, 2007, held by the primary government, including fiduciary activities, and its component units and the extent of exposure to custodial credit risk.

Custodial credit risk for investments exists when a government is unable to recover the value of investment or collateral securities that are in the possession of an outside party in the event of a failure of a counterparty to a transaction.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department but not in the government's name.

The State's reporting entity has not established specific policies for managing custodial credit risk exposure for investments.

**Primary Government (including Fiduciary Activities) and Component Units
Deposits—Custodial Credit Risk
As of June 30, 2007
(dollars in thousands)**

	Carrying Amount	Bank Balance	Uncollateralized*	Uninsured Portion of Reported Bank Balance	
				Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent but not in the Depositor-Government's Name	Collateralized with Securities Held by the Pledging Institution
Primary Government.....	\$ 652,689	\$ 707,226	\$ —	\$198,944	\$ —
Component Units	743,008	835,916	38,741	746,138	12,872
Total Deposits — Reporting Entity..	\$1,395,697	\$1,543,142	\$38,741	\$945,082	\$12,872

*Uncollateralized deposits are reported for the foundations and other component units of the colleges and universities.



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following tables report the fair value, as of June 30, 2007, of investments by type for the primary government, including fiduciary activities, and its component units, and the extent of exposure to custodial credit risk (dollars in thousands).

Primary Government (including Fiduciary Activities) and Component Units
Investments—Custodial Credit Risk
As of June 30, 2007
(dollars in thousands)

Investments for the Primary Government (including Fiduciary Activities), as of June 30, 2007	Total Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust Department or Agent but not in the State's Name
<i>Investments Subject to Custodial Credit Risk Exposure:</i>		
U.S. Government Obligations.....	\$20,179,966	\$168,887
U.S. Government Obligations—Strips.....	371,822	—
U.S. Agency Obligations	8,475,384	—
U.S. Agency Obligations—Strips.....	256,174	—
Common and Preferred Stock.....	71,524,757	—
Corporate Bonds and Notes.....	16,609,957	—
Corporate Bonds and Notes—Strips.....	541	—
Commercial Paper.....	6,607,796	—
Repurchase Agreements.....	59,487	1,481
Mortgage and Asset-Backed Securities	9,222,875	—
International Investments:		
Foreign Stocks	37,617,819	—
Foreign Bonds.....	1,739,133	—
High-Yield and Emerging Markets Fixed Income.....	1,174,970	—
Securities Lending Collateral:		
Commercial Paper	58,912	—
Repurchase Agreements	1,211,126	100,000
Mortgage and Asset-Backed Securities	3,849	—
Variable Rate Notes	2,410,354	—
Master Notes.....	990,000	—
Negotiable Certificates of Deposit.....	518,037	—
		<u>\$270,368</u>
<i>Investments Not Subject to Custodial Credit Risk Exposure:</i>		
<i>Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:</i>		
U.S. Government Obligations	2,813,527	
U.S. Government Obligations—Strips.....	4,317	
U.S. Agency Obligations	4,450,962	
U.S. Agency Obligations—Strips	20,901	
Common and Preferred Stock.....	1,137,872	
Corporate Bonds and Notes.....	139,055	
International Investments:		
Foreign Stocks	1,193,568	
Foreign Bonds.....	2,018	
High-Yield and Emerging Markets Fixed Income.....	65,984	
International Investments-Commingled Equity Funds.....	1,214,335	
Equity Mutual Funds.....	9,180,629	
Bond Mutual Funds	5,584,197	
Real Estate	14,176,511	
Venture Capital.....	4,800,095	
Partnerships and Hedge Funds.....	486,346	
Investment Contracts	6,006	
Deposit with Federal Government.....	591,758	
Component Units' Equity in State Treasurer's Cash and Investment Pool	(876,074)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio	(355,515)	
Total Investments — Primary Government.....	<u>\$223,669,451</u>	

(Continued)



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investments for Component Units, as of June 30, 2007	Total Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust Department or Agent but not in the Component Unit's Name		Counterparty but not in the Component Unit's Name
<i>Investments Subject to Custodial Credit Risk Exposure:</i>				
U.S. Government Obligations.....	\$ 326,962	\$ 173,185		\$ 99,941
U.S. Government Obligations—Strips.....	6,147	4,209		—
U.S. Agency Obligations	815,720	452,823		208,927
U.S. Agency Obligations—Strips.....	1,752	—		1,752
Common and Preferred Stock.....	1,846,280	378,162		722,906
Corporate Bonds and Notes.....	268,500	103,433		139,123
Commercial Paper.....	46,425	8,225		—
Repurchase Agreements.....	249,778	92,631		155,245
Mortgage and Asset-Backed Securities	72,887	610		—
Negotiable Certificates of Deposit.....	420	—		—
Municipal Obligations	92,281	71,943		19,915
International Investments:				
Foreign Stocks	224,416	1,025		—
Foreign Bonds.....	17,531	—		—
Other Investments	8,720	4,797		—
		\$1,291,043		\$1,347,809
<i>Investments Not Subject to Custodial Credit Risk Exposure:</i>				
Equity Mutual Funds.....	2,358,423			
Bond Mutual Funds	1,029,574			
Real Estate	213,663			
Life Insurance.....	17,532			
Investment Contracts	628,989			
Charitable Remainder Trusts	41,344			
Partnerships and Hedge Funds.....	477,574			
Investment in State Treasurer's Cash and Investment Pool	876,074			
Investment in the State Treasury Asset Reserve of Ohio (STAR Ohio).....	355,515			
Total Investments — Component Units	9,976,507			
Total Investments — Reporting Entity	\$233,645,958			

Reconciliation of Deposits and Investments Disclosures with Financial Statements

As of June 30, 2007

(dollars in thousands)

	Government-Wide Statement of Net Assets			Fiduciary Funds Statement of Net Assets	Total
	Governmental Activities	Business-Type Activities	Component Units		
Cash Equity with Treasurer.....	\$ 7,299,881	\$ 124,854	\$ 541,343	\$ 273,250	\$ 8,239,328
Cash and Cash Equivalents.....	114,539	342,232	892,736	240,196	1,589,703
Investments.....	899,044	16,496,675	6,909,258	191,288,769	215,593,746
Collateral on Lent Securities	4,110,979	62,127	299,861	292,649	4,765,616
Deposit with Federal Government.....	—	591,758	—	—	591,758
Restricted Assets:					
Cash Equity with Treasurer.....	—	273	22,336	—	22,609
Cash and Cash Equivalents.....	—	1,564	348,016	—	349,580
Investments	—	1,535,947	1,693,431	—	3,229,378
Collateral on Lent Securities	—	410,718	12,534	—	423,252
Total Reporting Entity	\$12,424,443	\$19,566,148	\$10,719,515	\$192,094,864	\$234,804,970
Total Carrying Amount of Deposits and Investments per Financial Statements					\$234,804,970
Outstanding Warrants and Other Reconciling Items					135,561
Differences Resulting from Component Units with December 31 Year-Ends					101,124
Total Carrying Amount of Deposits and Investments Disclosed in Note 4					\$235,041,655



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The total carrying amount of deposits and investments, as of June 30, 2007, reported for the primary government and its component units is (dollars in thousands) \$234,804,970. The total of the carrying amounts of both deposits in the amount of \$1,395,697 and investments in the amount of \$233,645,958 that has been categorized and disclosed in this note is \$235,041,655. A reconciliation of the difference is presented in the table on the previous page.

2. Credit Risk

The risk that an investment's issuer or counterparty will not satisfy its obligation is called credit risk. The exposure to this risk has been minimized through the laws and policies adopted by the State.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires such investments to carry certain credit ratings at the time of purchase as follows:

- Commercial paper must carry ratings in the two highest categories by two nationally recognized rating agencies;
- Debt interests (other than commercial paper) must carry ratings in one of the three highest categories by two nationally recognized rating agencies. This requirement is met when either the debt interest or the issuer of the debt interest carries this rating.

Investment policies of the Treasurer of State's Office further define required credit ratings as follows:

- Commercial paper must have a short-term debt rating of at least "A1" or equivalent by all agencies that rate the issuer, with at least two agencies rating the issuer,
- Banker acceptances must carry a minimum of "AA" for long-term debt ("AAA" for foreign issuers) by a majority of the agencies rating the issuer. For short-term debt, the rating must be "A1" or equivalent by all agencies that rate the issuer, with at least two agencies rating the issuer,
- Corporate notes must be rated at a minimum of "Aa" by Moody's Investors Service and a minimum of "AA" by Standard & Poor's for long-term debt,
- Foreign debt must be guaranteed as to principal and interest by the United States or be rated in one of the three highest categories by at least two rating agencies, and

- For Registered Investment Companies (Mutual Funds), no-load money market mutual funds must carry a rating of "AAm", "AAm-G", or better by Standard & Poor's or the equivalent rating of another agency.

Investment policies regarding credit risk that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

Workers' Compensation Enterprise Fund

The Fund requires an average credit quality no lower than an "A" rating for fixed income securities.

State Highway Patrol Retirement System Pension Trust Fund

When purchased, bond investments must be rated within the four highest classifications of at least two rating agencies.

STAR Ohio Investment Trust Fund

Investment policies governing the STAR Ohio external investment pool require that all securities must be rated the equivalent of "A-1" or higher, and at least 50 percent of the total average portfolio must be rated "A-1+" or better.

Retirement Systems Agency Fund

For the Ohio Public Employees Retirement System, non-investment grade securities are limited to 15 percent of the total Global Bond portfolio assets. Under the Cash Management Policy, issues rated in the A2/P2 category are limited to five percent of the portfolio and one percent per issuer. Those rated in the A3/P3 category are limited to two percent of the portfolio (one-half percent per issuer) with a final maturity of the next business day.

For the Ohio Police and Fire Pension Fund,

- Securities in the core fixed income portfolio shall be rated "BBB-" or better by two standard rating agencies at the time of purchase,
- Securities in the high yield fixed income portfolio are high yield bonds issued by US corporations with a minimum rating of "CCC" or equivalent,
- Investment managers may purchase securities that are "Not Rated" as long as they deem these securities to be at least equivalent to the minimum ratings, and
- Commercial paper must be rated within the two highest classifications established by two standard rating agencies.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

*Ohio Water Development Authority
Component Unit Fund*

The Authority's policy authorizes the acquisition of repurchase agreements from financial institutions with a Moody's or Standard & Poor's rating of "A" and the entering into investment agreements with financial institutions rated in the highest short-term categories or one of the top three long-term categories by Moody's and/or Standard & Poor's.

University of Cincinnati Component Unit Fund

The policy governing the university's temporary investment pool permits investments in securities rated "A" or higher at the time of purchase. Endowment investment-grade bonds are limited to those in the first four grades of any rating system. Below-investment grade, high-yield bond investments and certain unrated investments having strategic value to the university are permitted.

**Primary Government (including Fiduciary Activities)
Investment Credit Ratings
As of June 30, 2007
(dollars in thousands)**

Investment Type	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations.....	\$12,592,725	\$ 140,775	\$ —	\$ 10,540	\$ —	\$ —
U.S. Agency Obligations—Strips.....	257,525	—	9,423	—	—	—
Corporate Bonds and Notes.....	3,074,803	2,997,239	5,197,156	3,738,633	479,718	836,440
Corporate Bonds and Notes—Strips.....	541	—	—	—	—	—
Commercial Paper.....	3,120,396	—	3,487,400	—	—	—
Repurchase Agreements.....	56,636	1,452	1,140	—	—	—
Mortgage and Asset-Backed Securities.....	8,354,105	241,053	101,788	94,478	462	1,874
Foreign Bonds.....	61,397	121,809	364,236	415,444	223,552	113,860
High-Yield & Emerging Markets Fixed Income..	7,613	—	7,229	145,630	290,645	561,406
Bond Mutual Funds.....	4,813,775	223,246	3,904	29,456	85,607	45,723
Investment Contracts.....	—	—	—	—	—	—
Securities Lending Collateral:						
Commercial Paper.....	—	—	58,912	—	—	—
Repurchase Agreements.....	—	300,000	911,126	—	—	—
Mortgage and Asset-Backed Securities.....	3,849	—	—	—	—	—
Variable Rate Notes.....	—	1,185,384	1,224,970	—	—	—
Master Notes.....	—	655,000	335,000	—	—	—
Negotiable Certificates of Deposit.....	—	275,012	243,025	—	—	—
Total Primary Government.....	\$32,343,365	\$6,140,970	\$11,945,309	\$4,434,181	\$1,079,984	\$1,559,303

Investment Type	Credit Rating				
	CCC/Caa	CC/Ca	D	Unrated	Total
U.S. Agency Obligations.....	\$ —	\$ —	\$ —	\$ 182,306	\$12,926,346
U.S. Agency Obligations—Strips.....	—	—	—	10,127	277,075
Corporate Bonds and Notes.....	240,092	726	8,628	175,577	16,749,012
Corporate Bonds and Notes—Strips.....	—	—	—	—	541
Commercial Paper.....	—	—	—	—	6,607,796
Repurchase Agreements.....	—	—	—	259	59,487
Mortgage and Asset-Backed Securities.....	—	—	—	429,115	9,222,875
Foreign Bonds.....	9,764	—	6,468	424,621	1,741,151
High-Yield & Emerging Markets Fixed Income..	144,174	440	13,399	70,418	1,240,954
Bond Mutual Funds.....	—	—	—	382,486	5,584,197
Investment Contracts.....	—	—	—	6,006	6,006
Securities Lending Collateral:					
Commercial Paper.....	—	—	—	—	58,912
Repurchase Agreements.....	—	—	—	—	1,211,126
Mortgage and Asset-Backed Securities.....	—	—	—	—	3,849
Variable Rate Notes.....	—	—	—	—	2,410,354
Master Notes.....	—	—	—	—	990,000
Negotiable Certificates of Deposit.....	—	—	—	—	518,037
Total Primary Government.....	\$394,030	\$1,166	\$28,495	\$1,680,915	\$59,607,718



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

**Component Units
Investment Credit Ratings
As of June 30, 2007**
(dollars in thousands)

Investment Type	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations.....	\$ 758,264	\$ 812	\$ —	\$ —	\$ —	\$ —
U.S. Agency Obligations—Strips.....	1,752	—	—	—	—	—
Corporate Bonds and Notes.....	75,912	44,227	74,220	29,048	8,086	20,144
Commercial Paper.....	—	—	46,425	—	—	—
Repurchase Agreements.....	157,147	—	—	—	—	—
Mortgage and Asset-Backed Securities.....	6,376	—	—	—	—	—
Negotiable Certificates of Deposit.....	—	—	—	—	—	—
Municipal Obligations.....	91,923	31	60	—	—	—
Bond Mutual Funds.....	635,562	247,469	57,260	25,420	19,651	20,995
Foreign Bonds.....	—	220	—	1,093	7,444	965
Investment Contracts.....	—	—	—	—	—	—
Other Investments.....	—	—	—	—	—	—
Total Component Units.....	\$1,726,936	\$292,759	\$177,965	\$55,561	\$35,181	\$42,104

Investment Type	Credit Rating		
	CCC/Caa	Unrated	Total
U.S. Agency Obligations.....	\$ —	\$ 56,644	\$ 815,720
U.S. Agency Obligations—Strips.....	—	—	1,752
Corporate Bonds and Notes.....	7,808	9,055	268,500
Commercial Paper.....	—	—	46,425
Repurchase Agreements.....	—	92,631	249,778
Mortgage and Asset-Backed Securities.....	—	66,511	72,887
Negotiable Certificates of Deposit.....	—	420	420
Municipal Obligations.....	—	267	92,281
Bond Mutual Funds.....	6,595	16,622	1,029,574
Foreign Bonds.....	—	7,809	17,531
Investment Contracts.....	—	628,989	628,989
Other Investments.....	—	3,908	3,908
Total Component Units.....	\$14,403	\$882,856	\$3,227,765

All investments, as categorized by credit ratings in the tables above and on the previous page, meet the requirements of the State's laws and policies, when applicable.

Descriptions of the investment credit ratings shown in the tables are as follows:

Rating	General Description of Credit Rating
AAA/Aaa	Extremely strong
AA/Aa	Very strong
A/A-1	Strong
BBB/Baa	Adequate
BB/Ba	Less vulnerable
B	More vulnerable
CCC/Caa	Currently vulnerable to nonpayment
CC/Ca	Currently highly vulnerable to nonpayment
D	Currently highly vulnerable to nonpayment for failure to pay by due date

3. Concentration of Credit Risk

The potential for loss of value increases when investments are not diversified. The State has imposed limits on the types of authorized investments to prevent this type of loss.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires the following:

- Investments in commercial paper may not exceed 25 percent of the State's total average portfolio,
- Bankers acceptances cannot exceed 10 percent of the State's total average portfolio,
- Debt interests cannot exceed 25 percent of the State's total average portfolio,



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- Debt interests in foreign nations may not exceed one percent of the State's total average portfolio, and
- Debt interests of a single issuer may not exceed one-half of one percent of the State's total average portfolio.

Investment policies of the Treasurer of State further restrict concentrations of investments. Maximum concentrations are as follows:

Investment Type	Maximum % of Total Average Portfolio
U.S. Treasury.....	100
Federal Agency (fixed rate)	100
Federal Agency (callable)	55
Federal Agency (variable rate)	10
Repurchase Agreements.....	25
Bankers' Acceptances	10
Commercial Paper	25
Corporate Notes	5
Foreign Notes	1
Certificates of Deposit	20
Municipal Obligations	10
STAR Ohio.....	25
Mutual Funds.....	25

The investment policies of the Treasurer of State's Office also specify that commercial paper is limited to no more than five percent of the issuing corporation's total outstanding commercial paper, and investments in a single issuer are further limited to no more than two percent of the total average portfolio except for U.S. government obligations, limited at 100 percent; repurchase agreement counterparties, limited at the lesser of five percent or \$250 million; bankers' acceptances, limited at five percent; corporate notes and foreign debt, limited at one-half of one percent; and mutual funds, limited at 10 percent.

For the U.S. Equity Portfolio of the Workers' Compensation Enterprise Fund, no single holding is to be more than five percent of the entire portfolio at market, or five percent of the outstanding equity securities of any one corporation.

For the Lottery Commission Enterprise Fund, no more than two percent of the total average portfolio may be invested in the securities of any single issuer with the following exceptions: U.S. government obligations, 100 percent maximum; repurchase agreements, limited at the lesser of five percent or \$250 million; and mutual funds, 10 percent maximum.

The State Highway Patrol Retirement System Pension Trust Fund's policy prohibits the investment of more than 10 percent of its fixed income portfolio in securities of any one issuer with the exception of U.S. government securities, or the investment of more than five percent of the Fund's total investments in any one issuer with the exception of U.S. government securities.

For the STAR Ohio Investment Trust Fund, investments in a single issuer are further limited to no more than two percent of the total average portfolio except for U.S. Treasury obligations, limited at 100 percent; U.S. Agency obligations, limited at 33 percent; repurchase agreement counterparties, limited at the lesser of 10 percent or \$500 million; and mutual funds, limited at 10 percent.

As of June 30, 2007, all investments meet the requirements of the State's laws and policies, when applicable. However, investments in certain issuers are at least five percent of investment balances, as follows (dollars in thousands):

Issuer	Amount	Percentage of Investment Balance
<i>Governmental and Business-Type Activities:</i>		
Federal National		
Mortgage Association.....	\$2,698,831	9%
Federal Home Loan Bank.....	1,661,363	5%
Federal Home Loan		
Mortgage Corporation.....	1,574,717	5%
<i>STAR Ohio</i>		
<i>Investment Trust Fund:</i>		
Federal National		
Mortgage Association.....	1,390,357	29%
Federal Home Loan Bank.....	814,123	17%
Federal Home Loan		
Mortgage Corporation	1,363,802	28%
<i>School Facilities Commission</i>		
<i>Component Unit Fund:</i>		
Federal National		
Mortgage Association.....	117,428	15%
Federal Home Loan Bank.....	111,459	14%
Federal Home Loan		
Mortgage Corporation	54,988	7%
<i>Ohio Water Development</i>		
<i>Authority Component Unit</i>		
<i>Fund (12/31/06):</i>		
AIGMFC	350,196	27%
Citigroup	235,917	18%



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

4. Interest Rate Risk

Certain of the State's investments are exposed to interest rate risk. This risk exists when changes to interest rates will negatively impact the fair value of an investment. The State has adopted policies to mitigate this risk.

Investment policies governing the treasury's cash and investment pool, which is reported as "Cash Equity with Treasurer" and is managed by the Treasurer of State's Office, limit maturities of short-term investments to no more than 18 months with a weighted average maturity not to exceed 90 days. For long-term investments, maturities are limited to five years or less, except for those that are matched to a specific obligation or debt of the State. A duration target of three years or less has been established for long-term investments.

Variable rate notes are permitted if they meet the following criteria:

- the note has an ultimate maturity of less than three years,
- the rate resets frequently to follow money market rates,
- the note is indexed to a money market rate that correlates (by at least 95 percent) with overall money market rate changes, even during wide swings in interest rates, e.g., federal funds, 3-month treasury bill, LIBOR, and
- any cap on the interest rate is at least 15 percent (1500 basis points) higher than the coupon at purchase.

The Lottery Commission Enterprise Fund's investments are required to have maturities of 30 years or less. In no case may the maturity of an investment exceed the expected date of disbursement of those funds.

For the State Highway Patrol Retirement System Pension Trust Fund, investment policies require that the Fund's fixed income portfolio has an average maturity of 10 years or less.

Investment policies governing the STAR Ohio Investment Trust Fund limit maturities of investments to a final stated maturity of 397 days or less. The weighted average maturity of each portfolio is limited to 60 days or less.

Investments purchased under the Cash Management Policy of the Ohio Public Employees

Retirement System are limited to a weighted average maturity of 90 days. Fixed rate notes are required to have an average maturity of 14 months. Floating rate notes, with a rating of AA and higher, are limited to an average maturity of three years. All other issues are limited to a two-year average maturity.

All investments of the Ohio Water Development Authority Component Unit Fund must mature within five years unless the investment is matched to a specific obligation or debt of the Authority.

The policy of the University of Cincinnati Component Unit Fund stipulates that the weighted average maturity in the Temporary Investment Pool shall be no longer than five years. The weighted average of the fixed income maturities in the university's endowment portfolio shall not exceed 20 years.

As of June 30, 2007, several investments reported as "Cash Equity with Treasurer" have terms that make their fair values highly sensitive to interest rate changes. The U.S. agency obligations investment type includes \$1.8 million of investments with call dates during fiscal years 2008 through 2010. These investments have maturities between fiscal years 2008 and 2012 and are reported in the table on the following page as maturing in one to five years.

Several investments reported as "Collateral on Lent Securities" have terms that make them highly sensitive to interest rate changes as of June 30, 2007. Master Notes of \$510 million and variable rate notes of \$805.5 million have daily reset dates. Mortgage and asset-backed securities of \$3.8 million and variable rate notes of \$625 million have monthly reset dates. Variable rate notes of \$749.9 million have quarterly reset dates.

The Lottery Commission Enterprise Fund has collateral on lent securities with reset dates. Master notes and variable rate notes with reset dates are reported as collateral on lent securities. Master notes of \$55 million have daily reset dates. Variable rate notes of \$95 million, \$95 million, and \$40 million, respectively have daily, monthly, and quarterly reset dates.

Also during fiscal year 2007, the Treasurer of State acted as the custodian of the Retirement Systems Agency Fund's investments. These investments contain terms that make their fair values highly sensitive to interest rate changes. Specific information on the nature of the investments and their terms can be found in each respective system's Comprehensive Annual Financial Report.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following table lists the investment maturities of the State's investments. All investments at June 30, 2007, meet the requirements of the State's laws and policies, when applicable.

**Primary Government (including Fiduciary Activities)
Investments Subject to Interest Rate Risk
As of June 30, 2007
(dollars in thousands)**

Investment Type	Investment Maturities (in years)				Total
	Less than 1	1-5	6-10	More than 10	
U.S. Government Obligations	\$ 853,701	\$ 4,434,275	\$ 3,920,552	\$13,784,965	\$22,993,493
U.S. Government Obligations—Strips	903	17,459	104,464	253,313	376,139
U.S. Agency Obligations	6,204,150	4,161,489	708,531	1,852,176	12,926,346
U.S. Agency Obligations—Strips	1,083	72,707	99,460	103,825	277,075
Corporate Bonds and Notes	3,116,732	5,015,568	3,163,092	5,453,620	16,749,012
Corporate Bonds and Notes—Strips	—	—	—	541	541
Commercial Paper	6,607,796	—	—	—	6,607,796
Repurchase Agreements	59,487	—	—	—	59,487
Mortgage and Asset-Backed Securities	26,700	112,420	315,007	8,768,748	9,222,875
Foreign Bonds	137,773	307,359	457,654	838,365	1,741,151
High-Yield & Emerging Markets Fixed Income	33,129	200,800	653,726	353,299	1,240,954
Bond Mutual Funds	1,434,188	1,331,392	1,919,775	898,842	5,584,197
Investment Contracts	—	6,006	—	—	6,006
Securities Lending Collateral:					
Commercial Paper	58,912	—	—	—	58,912
Repurchase Agreements	1,211,126	—	—	—	1,211,126
Mortgage and Asset-Backed Securities	3,849	—	—	—	3,849
Variable Rate Notes	2,410,354	—	—	—	2,410,354
Master Notes	990,000	—	—	—	990,000
Negotiable Certificates of Deposit	518,037	—	—	—	518,037
Total Primary Government	\$23,667,920	\$15,659,475	\$11,342,261	\$32,307,694	\$82,977,350

**Component Units
Investments Subject to Interest Rate Risk
As of June 30, 2007
(dollars in thousands)**

Investment Type	Investment Maturities (in years)				Total
	Less than 1	1-5	6-10	More than 10	
U.S. Government Obligations	\$ 83,258	\$ 159,456	\$ 50,947	\$ 33,301	\$ 326,962
U.S. Government Obligations—Strips	1,359	3,844	577	367	6,147
U.S. Agency Obligations	340,394	326,668	57,696	90,962	815,720
U.S. Agency Obligations—Strips	—	—	1,752	—	1,752
Corporate Bonds and Notes	53,971	86,927	62,850	64,752	268,500
Commercial Paper	46,425	—	—	—	46,425
Repurchase Agreements	249,778	—	—	—	249,778
Mortgage and Asset-Backed Securities	311	1,155	4,753	66,668	72,887
Negotiable Certificates of Deposit	420	—	—	—	420
Municipal Obligations	19,942	71,124	190	1,025	92,281
Bond Mutual Funds	349,283	359,629	242,751	77,911	1,029,574
Foreign Bonds	—	2,941	3,497	11,093	17,531
Investment Contracts	210,022	360,404	—	58,563	628,989
Other Investments	367	1,836	551	1,154	3,908
Total Component Units	\$1,355,530	\$1,373,984	\$425,564	\$405,796	\$3,560,874



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

5. Foreign Currency Risk

Investments in stocks and bonds denominated in foreign currencies are affected by foreign currency risk which arises from changes in currency exchange rates. The State's laws and investment policies include provisions to limit the exposure to this type of risk.

According to Chapter 135, Ohio Revised Code, investments managed by the Treasurer of State's Office, and reported as "Cash Equity with Treasurer", are limited to the debt of nations diplomatically recognized by the United States and that are backed by the full faith and credit of that foreign nation.

Investment policies of the Treasurer of State's Office further limit the types of authorized investments. These requirements include maturity limitations of five years at the date of purchase and denomination of principal and interest in U.S. dollars. Other limitations are noted in the previous sections of this note that discuss credit risk and concentration of credit risk.

Investment policies regarding foreign currency risk have also been adopted for the following significant entities reported in the primary government and are specific to those entities:

Workers' Compensation Enterprise Fund

The Fund's investment policy requires that

- equity securities of any one international company shall not exceed five percent of the total value of all the investments in international equity securities, and
- equity securities of any one international company shall not exceed five percent of the company's outstanding equity securities.

Retirement Systems Agency Fund

For the Ohio Public Employees Retirement System, non-U.S. dollar-based securities are limited to five percent of the total Global Bond portfolio. Additionally, no more than 25 percent of the Global Bond portfolio assets may be from non-U.S. issuers.

As of June 30, 2007, investments denominated in the currency of foreign nations, as detailed in the tables appearing on the next two pages for the primary government and its discretely presented component units, meet the requirements of the State's laws and policies, when applicable.



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

**Primary Government (including Fiduciary Activities)
International Investments—Foreign Currency Risk
As of June 30, 2007
(dollars in thousands)**

Currency	Fiduciary Activities			Total
	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	
Argentinean Peso	\$ 941	\$ 39,653	\$ 713	\$ 41,307
Australian Dollar	735,779	—	—	735,779
Brazilian Real	402,484	47,007	10,283	459,774
British Pound	3,139,112	—	—	3,139,112
Bulgarian Lev	758	—	—	758
Canadian Dollar	682,477	38,702	—	721,179
Chilean Peso	20,063	—	—	20,063
Chinese Yuan	59,447	—	—	59,447
Colombian Peso	3,857	22,716	—	26,573
Czech Koruna	39,051	—	—	39,051
Danish Krone	145,092	—	—	145,092
Egyptian Pound	43,930	6,059	739	50,728
Euro	5,091,048	7,609	345	5,099,002
Hong Kong Dollar	943,359	—	—	943,359
Hungarian Forint	60,559	1,896	—	62,455
Indian Rupee	142,266	—	—	142,266
Indonesian Rupiah	104,325	10,448	377	115,150
Israeli Shekel	86,285	3,405	—	89,690
Japanese Yen	2,949,896	—	25	2,949,921
Jordanian Dollar	1	—	—	1
Lithuanian Litas	29	—	—	29
Malaysian Ringgit	185,649	—	7,525	193,174
Mexican Peso	169,704	45,668	5,919	221,291
New Zealand Dollar	101,725	—	—	101,725
Norwegian Krone	231,599	—	—	231,599
Pakistani Rupee	6,843	—	—	6,843
Philippines Peso	53,010	—	—	53,010
Polish Zloty	59,266	—	—	59,266
Romanian Leu	3,694	—	—	3,694
Russian Ruble	48,492	—	529	49,021
Singapore Dollar	319,289	—	—	319,289
South African Rand	390,716	—	—	390,716
South Korean Won	982,749	—	—	982,749
Sri Lankan Rupee	12,443	—	—	12,443
Swedish Krona	300,199	—	—	300,199
Swiss Franc	784,886	—	—	784,886
Taiwan Dollar	635,974	—	—	635,974
Thailand Baht	162,280	1,997	—	164,277
Turkish Lira	180,743	35,323	8,556	224,622
Uruguayuan Peso	—	—	1,712	1,712
Venezuelan Bolivar	130	—	—	130
Zimbabwean Dollar	1,283	5,233	—	6,516
Investments Held in Foreign Currency	\$19,281,433	\$265,716	\$36,723	19,583,872
Foreign Investments Held in U.S. Dollars				23,423,955
Total Foreign Investments-Primary Government, including Fiduciary Activities				\$43,007,827



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Component Units
International Investments—Foreign Currency Risk
As of June 30, 2007
(dollars in thousands)

Ohio State University:

Currency	Included in the Balance Reported for		Total
	Common & Preferred Stock	Corporate Bonds	
Argentinean Peso.....	\$ —	\$ 1,914	\$ 1,914
Australian Dollar.....	4,336	—	4,336
Brazilian Real.....	4,694	—	4,694
British Pound.....	25,653	—	25,653
Canadian Dollar.....	7,883	—	7,883
Danish Krone.....	468	—	468
Egyptian Pound.....	326	—	326
Euro.....	57,250	—	57,250
Hong Kong Dollar.....	8,040	—	8,040
Indonesian Rupiah.....	993	—	993
Israeli Shekel.....	542	—	542
Japanese Yen.....	36,012	—	36,012
Malaysian Ringgit.....	4,508	—	4,508
Mexican Peso.....	1,088	881	1,969
New Zealand Dollar.....	152	—	152
Norwegian Krone.....	7,596	—	7,596
Philippines Peso.....	597	—	597
Polish Zloty.....	440	—	440
Singapore Dollar.....	2,272	—	2,272
South African Rand.....	8,357	—	8,357
South Korean Won.....	9,152	—	9,152
Swedish Krona.....	4,101	—	4,101
Swiss Franc.....	4,112	—	4,112
Taiwan Dollar.....	3,567	—	3,567
Thailand Baht.....	1,307	—	1,307
Turkish Lira.....	—	970	970
Other.....	—	197	197
Investments Held in Foreign Currency.....	193,446	3,962	197,408
Foreign Investments Held in U.S. Dollars.....	—	13,569	13,569
Total Ohio State University.....	\$193,446	\$17,531	\$210,977

Nonmajor Component Units:

Currency	Included in the Balance Reported for Common & Preferred Stock
Australian Dollar.....	\$ 2,818
Bermudian Dollar.....	93
Brazilian Real.....	2,208
British Pound.....	5,358
Canadian Dollar.....	3,838
Euro.....	1,647
Japanese Yen.....	7,608
South African Rand.....	2,984
South Korean Won.....	2,551
Taiwan Dollar.....	1,009
Investments Held in Foreign Currency.....	30,114
Foreign Investments Held in U.S. Dollars.....	856
Total Nonmajor Component Units.....	\$30,970



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

D. Securities Lending Transactions

The Treasurer of State and the State Highway Patrol Retirement System (SHPRS) participate in securities lending programs for securities included in the "Cash Equity with Treasurer" and "Investments" accounts. Each lending program is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral.

At the time of the loan, the Treasurer of State requires its custodial agents to ensure that the State's lent securities are collateralized at no less than 102 percent of fair value. At no point in time can the value of the collateral be less than 100 percent of the underlying securities.

The SHPRS also requires custodial agents to ensure that lent securities are collateralized at 102 percent of fair value. SHPRS requires its custodial agents to provide additional collateral when the fair value of the collateral held falls below 102 percent of the fair value of securities lent.

Consequently, as of June 30, 2007, the State had no credit exposure since the amount the State owed to borrowers at least equaled or exceeded the amount borrowers owed the State.

For loan contracts the Treasurer executes for the State's cash and investment pool, which is reported in the financial statements as "Cash Equity with Treasurer," and for the Ohio Lottery Commission Enterprise Fund's Structured Investment Portfolio, which is reported as "Restricted Investments," the lending agent may not lend more than 75 percent of the total average portfolio.

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 22 days or less while the weighted average maturity of securities loans is one day or less.

The State cannot sell securities received as collateral unless the borrower defaults. Consequently, these amounts are not reflected in the financial statements.

According to the lending contracts the Treasurer of State executes for the State's cash and investment pool and for the Ohio Lottery Commission Enterprise Fund, the securities lending agent is to indemnify the Treasurer of State for any losses resulting from either the default of a borrower or any violations of the security lending policy.

During fiscal year 2007, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2007, the Treasurer lent U.S. government and agency obligations in exchange for cash collateral while the SHPRS lent equity securities in exchange for cash collateral.



NOTE 5 RECEIVABLES

A. Taxes Receivable — Primary Government

Current taxes receivable are expected to be collected in the next fiscal year while noncurrent taxes receivable are not expected to be collected until more than one year from the balance sheet date. As of June 30, 2007, approximately \$264.9 million of the net taxes receivable balance is also reported as deferred revenue on the governmental funds' balance sheet, of which \$237.1 million is reported in the General Fund and \$27.8 million is reported in the Revenue Distribution Special Revenue Fund.

Refund liabilities for income and corporation franchise taxes, totaling approximately \$866.3 million, are reported for governmental activities as "Refunds and Other Liabilities" on the Statement of Net Assets, of which, \$795.9 million is reported in the General Fund and \$70.4 million is reported in the Revenue Distribution Special Revenue Fund on the governmental funds' balance sheet.

The following table summarizes taxes receivable for the primary government (dollars in thousands).

	Governmental Activities				
	Major Governmental Funds			Nonmajor Governmental Funds	Total Primary Government
	General	Highway Operating	Revenue Distribution		
Current-Due Within One Year:					
Income Taxes	\$ 470,124	\$ —	\$ 57,321	\$ 162	\$ 527,607
Sales Taxes	382,108	—	28,655	864	411,627
Motor Vehicle Fuel Taxes	—	90,543	145,518	3,346	239,407
Commercial Activity Taxes	—	—	209,296	—	209,296
Public Utility Taxes	71,517	—	30,302	—	101,819
Severance Taxes	—	—	—	2,227	2,227
	923,749	90,543	471,092	6,599	1,491,983
Noncurrent-Due in More Than One Year:					
Income Taxes	59,954	—	7,034	—	66,988
Taxes Receivable, Net	\$ 983,703	\$ 90,543	\$ 478,126	\$ 6,599	\$ 1,558,971

B. Intergovernmental Receivable — Primary Government

The intergovernmental receivable balance reported for the primary government, all of which is expected to be collected within the next fiscal year, consists of the following, as of June 30, 2007 (dollars in thousands).

	From Nonexchange Programs		From Sales of Goods and Services		Total Primary Government
	Federal Government	Local Government	Other State Governments	Local Government	
Governmental Activities:					
Major Governmental Funds:					
General	\$ 479,820	\$ 25,207	\$ —	\$ 4,586	\$ 509,613
Job, Family and Other Human Services	307,583	87,905	—	—	395,488
Education	53,687	73,909	—	—	127,596
Highway Operating	142,056	—	—	—	142,056
Nonmajor Governmental Funds	266,872	4,451	—	28,066	299,389
Total Governmental Activities	1,250,018	191,472	—	32,652	1,474,142
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	—	—	3,888	—	3,888
Nonmajor Proprietary Funds	23	—	—	6,178	6,201
Total Business-Type Activities	23	—	3,888	6,178	10,089
Intergovernmental Receivable	\$ 1,250,041	\$ 191,472	\$ 3,888	\$ 38,830	\$ 1,484,231



NOTE 5 RECEIVABLES (Continued)

C. Loans Receivable

Loans receivable for the primary government and its discretely presented major component units, as of June 30, 2007, are detailed in the following tables (dollars in thousands).

Primary Government — Loans Receivable

Loan Program	Governmental Activities				
	Major Governmental Funds			Nonmajor Govern- mental Funds	Total Primary Government
	General	Education	Highway Operating		
Housing Finance	\$211,989	\$ —	\$ —	\$ —	\$211,989
School District Solvency Assistance.....	17,206	—	—	—	17,206
Wayne Trace Local School District.....	4,149	—	—	—	4,149
State Workforce Development.....	1,397	—	—	—	1,397
Office of Minority Financial Incentives	942	—	—	—	942
Professional Development.....	844	—	—	—	844
Columbiana County Economic Stabilization	523	—	—	—	523
Small Government Fire Departments	676	—	—	—	676
Nurses Education Assistance.....	—	99	—	—	99
Highway, Transit, & Aviation Infrastructure Bank .. Economic Development	—	—	99,458	—	99,458
Office of Financial Incentives.....	—	—	—	334,324	334,324
Rail Development	—	—	—	3,348	3,348
Brownfield Revolving Loan	—	—	—	598	598
Local Infrastructure Improvements	—	—	—	316,818	316,818
Natural Resources.....	—	—	—	30	30
Loans Receivable, Gross	237,726	99	99,458	655,118	992,401
Estimated Uncollectible	(103)	—	—	—	(103)
Loans Receivable, Net	<u>\$237,623</u>	<u>\$99</u>	<u>\$ 99,458</u>	<u>\$655,118</u>	<u>\$992,298</u>
Current-Due Within One Year	\$ 13,200	\$ —	\$ 13,832	\$ 28,581	\$ 55,613
Noncurrent-Due in More Than One Year.....	224,423	99	85,626	626,537	936,685
Loans Receivable, Net	<u>\$237,623</u>	<u>\$99</u>	<u>\$ 99,458</u>	<u>\$655,118</u>	<u>\$992,298</u>

Major Component Units — Loans Receivable

Loan Program	Ohio Water Development Authority (12/31/06)	Ohio State University	University of Cincinnati
Water and Wastewater Treatment (including restricted portion).....	\$3,642,315	\$ —	\$ —
Student	—	85,214	36,626
Other.....	—	—	766
Loans Receivable, Gross.....	3,642,315	85,214	37,392
Estimated Uncollectible.....	—	(15,650)	(4,903)
Loans Receivable, Net.....	<u>\$3,642,315</u>	<u>\$ 69,564</u>	<u>\$ 32,489</u>
Current-Due Within One Year	\$ 1,741	\$ 8,521	\$ 2,869
Noncurrent-Due in More Than One Year	3,640,574	61,043	29,620
Loans Receivable, Net.....	<u>\$3,642,315</u>	<u>\$ 69,564</u>	<u>\$ 32,489</u>



NOTE 5 RECEIVABLES (Continued)

D. Other Receivables

The other receivables balances reported for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2007, consist of the following (dollars in thousands).

Primary Government — Other Receivables

Primary Governmental Activities							
Major Governmental Funds							
Type of Receivable	General	Job, Family & Other Human Services	Education	Highway Operating	Revenue Distribu- tion	Nonmajor Govern- mental Funds	Total
Manufacturers' Rebates	\$ 68,733	\$103,081	\$ —	\$ —	\$ —	\$ 14,242	\$ 186,056
Tobacco Settlement	—	—	—	—	—	253,306	253,306
Health Facility Bed Assessments .	—	60,226	—	—	—	—	60,226
Interest	32,313	—	—	4,043	—	5,054	41,410
Accounts	52,512	10,938	376	943	1,500	7,193	73,462
Environmental Legal Settlements .	—	—	—	—	—	9,062	9,062
Miscellaneous	15,520	4,145	23	171	—	422	20,281
Other Receivables, Net- Due Within One Year	<u>\$169,078</u>	<u>\$178,390</u>	<u>\$ 399</u>	<u>\$ 5,157</u>	<u>\$ 1,500</u>	<u>\$ 289,279</u>	<u>\$ 643,803</u>
Business-Type Activities							
Major Proprietary Funds							
Type of Receivable	Workers' Compen- sation	Lottery Com- mission	Unemploy- ment Compen- sation	Nonmajor Proprietary Funds	Total		
Accounts	\$ 966,512	\$ —	\$ 73,638	\$ 968	\$1,041,118		
Interest and Dividends (including restricted portion)	183,418	5,211	—	5,465	194,094		
Leases	—	—	—	2,758	2,758		
Lottery Sales Agents	—	41,974	—	—	41,974		
Miscellaneous	—	—	—	36	36		
Other Receivables, Gross	1,149,930	47,185	73,638	9,227	1,279,980		
Estimated Uncollectible	(795,631)	(231)	(63,650)	—	(859,512)		
Other Receivables, Net-Due Within One Year	<u>\$ 354,299</u>	<u>\$46,954</u>	<u>\$ 9,988</u>	<u>\$ 9,227</u>	<u>\$ 420,468</u>		
Total Primary Government.....							\$1,064,271

Major Component Units — Other Receivables

Type of Receivable	Ohio State University	University of Cincinnati
Accounts	\$ 864,811	\$ 30,283
Interest	16,852	26,100
Investment Trade Receivable (Stock Proceeds)	—	216
Pledges	41,583	37,885
Unbilled Charges	—	31,062
Other Receivables, Gross	923,246	125,546
Estimated Uncollectible	(510,135)	(19,795)
Other Receivables, Net	<u>\$ 413,111</u>	<u>\$ 105,751</u>
Current-Due Within One Year	\$ 399,774	\$ 67,014
Noncurrent-Due in More Than One Year	13,337	38,737
Other Receivables, Net	<u>\$ 413,111</u>	<u>\$ 105,751</u>



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 5 RECEIVABLES (Continued)

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2007, is comprised of interest due of approximately \$4.8 million, investment trade receivable of \$3.9 million, and miscellaneous receivables of \$1.8 million.

Under long-term direct financing leases with local governments for office space, the Ohio Building Authority, a blended component unit reported in the proprietary funds, charges a pro-rata share of the buildings' debt service and operating costs based on square-footage occupied.

As of June 30, 2007, future lease payments included under "Other Receivables" in business-type activi-

ties, net of executory costs, (dollars in thousands) were as follows:

Year Ending June 30,	Business-Type Activities
2008	\$2,716
Total Minimum Lease Payments	2,716
Amount for interest	(29)
Present Value of Net Minimum Lease Payments	2,687
Unearned Income	71
Net Leases Receivable	<u>\$2,758</u>

NOTE 6 PAYABLES

A. Accrued Liabilities

Details on accrued liabilities for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2007, follow (dollars in thousands).

Primary Government — Accrued Liabilities

	Wages and Employee Benefits	Accrued Interest	Other	Total Accrued Liabilities
Governmental Activities:				
Major Governmental Funds:				
General	\$141,217	\$ —	\$ —	\$141,217
Job, Family and Other Human Services	17,972	—	—	17,972
Education	1,912	—	—	1,912
Highway Operating	24,770	—	—	24,770
Nonmajor Governmental Funds	48,289	—	28	48,317
	<u>234,160</u>	<u>—</u>	<u>28</u>	<u>234,188</u>
Reconciliation of balances in fund financial statements to government-wide financial statements due to basis differences	—	123,082	—	123,082
Total Governmental Activities	<u>234,160</u>	<u>123,082</u>	<u>28</u>	<u>357,270</u>
Business-Type Activities:				
Nonmajor Proprietary Funds	5,981	15	—	5,996
Total Primary Government	<u>\$240,141</u>	<u>\$123,097</u>	<u>\$ 28</u>	<u>\$363,266</u>
	Wages and Employee Benefits	Health Benefit Claims	Management and Admini- strative Expenses	Total Accrued Liabilities
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/06)	\$ 1,511	\$ 877	\$ —	\$ 2,388
Variable College Savings Plan Private-Purpose Trust	—	—	6,956	6,956
Total Fiduciary Activities	<u>\$ 1,511</u>	<u>\$ 877</u>	<u>\$6,956</u>	<u>\$ 9,344</u>



NOTE 6 PAYABLES (Continued)

Major Component Units — Accrued Liabilities

	Wages and Employee Benefits	Self- Insurance	Accrued Interest	Other	Total Accrued Liabilities
Ohio State University.....	\$163,632	\$120,663	\$ 4,918	\$30,907	\$ 320,120
University of Cincinnati	41,773	—	5,788	28,445	76,006

B. Intergovernmental Payable

The intergovernmental payable balances for the primary government, as of June 30, 2007, are comprised of the following (dollars in thousands).

Primary Government — Intergovernmental Payable

	Local Government				
	Shared Revenue and Local Permissive Taxes	Subsidies and Other	Federal Government	Other States	Total
Governmental Activities:					
Major Governmental Funds:					
General.....	\$274,723	\$137,891	\$23,581	\$ —	\$ 436,195
Job, Family and Other Human Services	—	179,016	—	—	179,016
Education	—	69,795	11	—	69,806
Highway Operating	—	2,304	—	—	2,304
Revenue Distribution	649,799	—	—	1,961	651,760
Nonmajor Governmental Funds	—	178,756	—	—	178,756
Total Governmental Activities	924,522	567,762	23,592	1,961	1,517,837
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	—	322	679	—	1,001
Nonmajor Proprietary Funds	437	—	—	—	437
Total Business-Type Activities.....	437	322	679	—	1,438
Total Primary Government.....	\$924,959	\$568,084	\$24,271	\$ 1,961	\$1,519,275
Fiduciary Activities:					
Holding and Distribution Agency Fund	\$ —	\$ —	\$ 2,876	\$14,294	\$ 17,170
Payroll Withholding and Fringe Benefits Agency Fund	—	359	—	—	359
Other Agency Fund	130,525	1,979	—	—	132,504
Total Fiduciary Activities	\$130,525	\$ 2,338	\$ 2,876	\$14,294	\$ 150,033

As of June 30, 2007, the School Facilities Commission Component Unit Fund reported an intergovernmental payable balance totaling approximately \$2.11 billion for long-term funding contracts the Commission has with local school districts. In the government-wide Statement of Net Assets, the intergovernmental payable balance for the Commission is included with "Other Noncurrent Liabilities."

The contracts commit the State to cover the costs of construction of facilities of the school districts once the districts have met certain eligibility requirements.

C. Refund and Other Liabilities

Refund and other liabilities for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2007, consist of the balances reported on the tables presented on the following page (dollars in thousands).



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 6 PAYABLES (Continued)

Primary Government — Refund and Other Liabilities

	Estimated Tax Refund Claims			Interest on Lawyers' Trust Accounts	Other	Total
	Personal Income Tax	Corporation Franchise Tax	Total Tax Refund Liabilities			
Governmental Activities:						
Major Governmental Funds:						
General	\$ 636,114	\$159,789	\$795,903	\$ —	\$ 114	\$ 796,017
Job, Family and Other Human Services	—	—	—	3,141	1,994	5,135
Revenue Distribution	64,766	5,623	70,389	—	—	70,389
Nonmajor Governmental Funds	—	—	—	—	2,484	2,484
Total Governmental Activities	<u>\$ 700,880</u>	<u>\$165,412</u>	<u>\$866,292</u>	<u>\$ 3,141</u>	<u>\$ 4,592</u>	<u>\$ 874,025</u>
	Reserve for Compensation Adjustment	Refund and Security Deposits	Compensated Absences	Capital Leases	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation	\$ 1,858,529	\$ 87,808	\$ 26,645	\$ —	\$ 67,726	\$ 2,040,708
Lottery Commission	—	32,930	3,255	—	1,982	38,167
Unemployment Compensation	—	11,854	—	—	—	11,854
Nonmajor Proprietary Funds	—	2,671	10,920	22	138	13,751
	1,858,529	135,263	40,820	22	69,846	2,104,480
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements	(1,858,529)	(87,808)	(40,439)	(22)	(22,307)	(2,009,105)
Total Business-Type Activities	<u>\$ —</u>	<u>\$ 47,455</u>	<u>\$ 381</u>	<u>\$ —</u>	<u>\$ 47,539</u>	<u>\$ 95,375</u>
Total Primary Government						<u>\$ 969,400</u>

	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement System Pension Trust (12/31/06) ...	\$ —	\$ —	\$ —	\$ —	\$ 41	\$ 41
Variable College Savings Plan Private-Purpose Trust	—	—	—	—	5,961	5,961
STAR Ohio Investment Trust	—	—	—	—	1,037	1,037
Agency Funds:						
Holding and Distribution	—	18,184	—	—	—	18,184
Centralized Child Support Collections	61,571	—	—	—	—	61,571
Retirement Systems	—	—	—	181,097,077	—	181,097,077
Payroll Withholding and Fringe Benefits	—	—	112,760	—	—	112,760
Other	—	405,957	—	49,075	100,020	555,052
Total Fiduciary Activities	<u>\$ 61,571</u>	<u>\$424,141</u>	<u>\$112,760</u>	<u>\$181,146,152</u>	<u>\$107,059</u>	<u>\$181,851,683</u>

Major Component Units — Refund and Other Liabilities

	Refund and Security Deposits	Compensated Absences	Capital Leases	Obligations Under Annuity Life Agreements	Other	Total
Ohio State University	\$ 93,415	\$ 91,478	\$ 24,143	\$ 55,403	\$ 22,047	\$ 286,486
University of Cincinnati	38,372	64,408	159,515	—	7,826	270,121



**NOTE 7 INTERFUND BALANCES AND TRANSFERS
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS**

A. Interfund Balances

Interfund balances, as of June 30, 2007, consist of the following (dollars in thousands):

Due from	Due To				
	Governmental Activities				
	General	Job, Family and Other Human Services	Highway Operating	Nonmajor Governmental Funds	Total
Major Governmental Funds:					
General	\$ —	\$21	\$ —	\$3,599	\$ 3,620
Revenue Distribution	—	—	630	396	1,026
Nonmajor Governmental Funds	—	—	—	655	655
Total Governmental Activities	—	21	630	4,650	5,301
Nonmajor Proprietary Funds	2,992	—	—	—	2,992
Total Business-Type Activities	2,992	—	—	—	2,992
Total Primary Government	\$2,992	\$21	\$ 630	\$4,650	\$ 8,293

Due from	Business-Type Activities			
	Major Proprietary Fund			
	Workers' Compensation	Nonmajor Proprietary Funds	Total	Total Primary Government
Major Governmental Funds:				
General	\$627,972	\$9,328	\$637,300	\$640,920
Job, Family, Other Human Services	16,900	—	16,900	16,900
Education	2,685	—	2,685	2,685
Highway Operating	103,597	—	103,597	103,597
Revenue Distribution	—	—	—	1,026
Nonmajor Governmental Funds	123,609	290	123,899	124,554
Total Governmental Activities	874,763	9,618	884,381	889,682
Major Proprietary Funds:				
Lottery Commission	2,881	—	2,881	2,881
Nonmajor Proprietary Funds	10,110	—	10,110	13,102
Total Business-Type Activities	12,991	—	12,991	15,983
Total Primary Government	\$887,754	\$9,618	\$897,372	\$905,665

Interfund balances result from the time lag between dates that 1.) interfund goods and services are provided or reimbursable expenditures/expenses occur, 2.) transactions are recorded in the accounting system, and 3.) payments between funds are made.

The State's primary government is permitted to pay its workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the

Workers' Compensation Enterprise Fund recognized \$887.8 million as an interfund receivable for the unbilled premium due for the primary government's share of the Bureau's actuarially determined liability for compensation. In the Statement of Net Assets, the State includes the liability totaling \$874.8 million in the internal balance reported for governmental activities.



**NOTE 7 INTERFUND BALANCES AND TRANSFERS
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)**

B. Interfund Transfers

Interfund transfers, for the year ended of June 30, 2007, consist of the following (dollars in thousands):

Transferred from	Transferred to						
	Governmental Activities						Total
	Major Governmental Funds					Nonmajor Governmental Funds	
	General	Job, Family and Other Human Services	Education	Highway Operating	Revenue Distribution		
Major Governmental Funds:							
General	\$ —	\$ 67,554	\$ 9,549	\$ 255	\$ 741	\$1,194,063	\$1,272,162
Job, Family and Other Human Services	3,665	—	1,500	—	—	163	5,328
Education	31,768	—	—	—	—	21	31,789
Highway Operating	554	—	—	—	156,111	156,791	313,456
Revenue Distribution	98,629	—	64,882	495,864	—	262,603	921,978
Nonmajor Governmental Funds	68,635	4,189	377	1,915	—	15,666	90,782
Total Governmental Activities	203,251	71,743	76,308	498,034	156,852	1,629,307	2,635,495
Major Proprietary Funds:							
Workers' Compensation	7,586	—	—	—	—	—	7,586
Lottery Commission	507	—	669,327	—	—	—	669,834
Unemployment Compensation	—	39,122	—	—	—	—	39,122
Nonmajor Proprietary Funds	135,055	—	—	—	—	61,327	196,382
Total Business-Type Activities	143,148	39,122	669,327	—	—	61,327	912,924
Total Primary Government	\$346,399	\$110,865	\$745,635	\$ 498,034	\$156,852	\$1,690,634	\$3,548,419

Transferred from	Business-Type Activities			
	Major Proprietary Fund			Total Primary Government
	Unemployment Compensation	Nonmajor Proprietary Funds	Total	
Major Governmental Funds:				
General	\$ —	\$ 49,850	\$ 49,850	\$1,322,012
Job, Family and Other Human Services	9,903	—	9,903	15,231
Education	—	—	—	31,789
Highway Operating	—	—	—	313,456
Revenue Distribution	—	—	—	921,978
Nonmajor Governmental Funds	—	—	—	90,782
Total Governmental Activities	9,903	49,850	59,753	2,695,248
Major Proprietary Funds:				
Workers' Compensation	—	—	—	7,586
Lottery Commission	—	—	—	669,834
Unemployment Compensation	—	—	—	39,122
Nonmajor Proprietary Funds	—	—	—	196,382
Total Business-Type Activities	—	—	—	912,924
Total Primary Government	\$ 9,903	\$ 49,850	\$ 59,753	\$3,608,172

Transfers are used to 1.) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2.) move receipts restricted to debt service from the funds collecting the receipts to the debt

service fund as debt service payments become due, and 3.) utilize unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budget authorizations.



**NOTE 7 INTERFUND BALANCES AND TRANSFERS
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)**

C. Component Units

For fiscal year 2007, the component units reported \$2.73 billion in state assistance revenue from the primary government in the Statement of Activities.

Included in "Primary, Secondary and Other Education" expenses reported for governmental activities, is funding that the primary government provided to the School Facilities Commission for capital construction at local school districts and the eTech Ohio Commission for the acquisition of computers to benefit local schools.

Additionally, the primary government provided financial support to the colleges and universities in the form of state appropriations for instructional and non-instructional purposes and capital appropriations for construction. This assistance is included in "Higher Education Support" expenses reported for governmental activities.

Details of balances and activity reported in the government-wide financial statements between the primary government and its discretely presented component units are summarized below.

Primary Government
(dollars in thousands)

	Payable to the Component Units	Program Expenses for State Assistance to Component Units			
		Primary, Secondary and Other Education Function	Higher Education Support Function	Community And Economic Development Function	Total State Assistance to the Component Units
Major Governmental Funds:					
General.....	\$17,317	\$ 575,652	\$1,690,552	\$25,000	\$2,291,204
Job, Family and Other Human Services	965	—	—	—	—
Education	911	—	—	—	—
Highway Operating	465	—	—	—	—
Nonmajor Governmental Funds	16,663	291,706	147,820	—	439,526
Total Primary Government.....	<u>\$36,321</u>	<u>\$ 867,358</u>	<u>\$1,838,372</u>	<u>\$25,000</u>	<u>\$2,730,730</u>

Component Units
(dollars in thousands)

	Receivable from the Primary Government	Total State Assistance from the Primary Government
Major Component Units:		
School Facilities Commission	\$ —	\$ 836,600
Ohio State University	2,542	492,892
University of Cincinnati	163	205,235
Nonmajor Component Units	33,581	1,196,003
Variance Due to Year-End Differences (June 30 versus December 31)	35	—
Total Component Units	<u>\$36,321</u>	<u>\$2,730,730</u>



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2007, reported for the primary government was as follows (dollars in thousands):

	Primary Government			
	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land.....	\$ 1,736,463	\$ 82,638	\$ (1,599)	\$ 1,817,502
Buildings	60,060	—	—	60,060
Land Improvements	930	272	—	1,202
Construction-in-Progress	1,581,498	532,943	(356,918)	1,757,523
Infrastructure:				
Highway Network:				
General Subsystem	8,337,768	41,930	(16,092)	8,363,606
Priority Subsystem	7,196,979	123,546	—	7,320,525
Bridge Network	2,430,629	72,260	(6,850)	2,496,039
Total Capital Assets Not Being Depreciated	21,344,327	853,589	(381,459)	21,816,457
Other Capital Assets:				
Buildings	3,324,452	43,168	(45,406)	3,322,214
Land Improvements	338,506	27,882	(6,676)	359,712
Machinery and Equipment	593,066	62,223	(42,593)	612,696
Vehicles	251,551	36,592	(21,364)	266,779
Infrastructure:				
Parks, Recreation and Natural Resources Network	42,312	7,152	(448)	49,016
Total Other Capital Assets at historical cost	4,549,887	177,017	(116,487)	4,610,417
Less Accumulated Depreciation for:				
Buildings	1,388,541	100,009	(31,549)	1,457,001
Land Improvements	153,331	16,471	(3,933)	165,869
Machinery and Equipment	401,398	56,009	(39,682)	417,725
Vehicles	118,893	18,789	(14,604)	123,078
Infrastructure:				
Parks, Recreation and Natural Resources Network	3,278	1,662	(18)	4,922
Total Accumulated Depreciation	2,065,441	192,940	(89,786)	2,168,595
Other Capital Assets, Net	2,484,446	(15,923)	(26,701)	2,441,822
Governmental Activities- Capital Assets, Net	<u>\$23,828,773</u>	<u>\$837,666</u>	<u>\$(408,160)</u>	<u>\$24,258,279</u>

For fiscal year 2007, the State charged depreciation expense to the following governmental functions:

Governmental Activities:	(in 000s)
Primary, Secondary and Other Education.....	\$ 1,110
Higher Education Support	5
Public Assistance and Medicaid.....	6,804
Health and Human Services	17,372
Justice and Public Protection	72,496
Environmental Protection and Natural Resources	14,855
Transportation.....	27,238
General Government	96,910
Community and Economic Development	4,094
Total Depreciation Expense for Governmental Activities.....	240,884
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(47,944)
Fiscal Year 2007 Increases to Accumulated Depreciation	<u>\$192,940</u>



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 8 CAPITAL ASSETS (Continued)

As of June 30, 2007, the State considered the following governmental capital asset balances as being temporarily or permanently impaired and removed from service.

Governmental Activities:	(in 000s)
Temporarily Impaired Assets Removed from Service:	
Buildings	\$13,198
Land Improvements	225
Total	<u>\$13,423</u>
Permanently Impaired Assets Removed from Service:	
Buildings	\$ 6,916
Land Improvements	474
Total	<u>\$ 7,390</u>

	Primary Government (Continued)			
	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 11,994	\$ —	\$ —	\$ 11,994
Construction-in-Progress	778	4	(782)	—
Total Capital Assets Not Being Depreciated	<u>12,772</u>	<u>4</u>	<u>(782)</u>	<u>11,994</u>
Other Capital Assets:				
Buildings	222,154	820	—	222,974
Land Improvements	66	—	—	66
Machinery and Equipment	142,870	7,264	(5,376)	144,758
Vehicles	4,629	1,238	(832)	5,035
Total Other Capital Assets at historical cost	<u>369,719</u>	<u>9,322</u>	<u>(6,208)</u>	<u>372,833</u>
Less Accumulated Depreciation for:				
Buildings	115,547	7,378	—	122,925
Land Improvements	51	1	—	52
Machinery and Equipment	127,061	6,314	(4,872)	128,503
Vehicles	2,549	522	(816)	2,255
Total Accumulated Depreciation	<u>245,208</u>	<u>14,215</u>	<u>(5,688)</u>	<u>253,735</u>
Other Capital Assets, Net	<u>124,511</u>	<u>(4,893)</u>	<u>(520)</u>	<u>119,098</u>
Business-Type Activities- Capital Assets, Net	<u>\$137,283</u>	<u>\$(4,889)</u>	<u>\$(1,302)</u>	<u>\$131,092</u>

For fiscal year 2007, the State charged depreciation expense to the following business-type functions:

Business-Type Activities:	(in 000s)
Workers' Compensation	\$11,096
Lottery Commission	780
Tuition Trust Authority	28
Liquor Control	411
Underground Parking Garage	622
Office of Auditor of State	1,459
Total Depreciation Expense for Business-Type Activities	<u>14,396</u>
Gains (Losses) on Capital Asset Disposals Included in Depreciation	<u>(181)</u>
Fiscal Year 2007 Increases to Accumulated Depreciation	<u>\$14,215</u>



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 8 CAPITAL ASSETS (Continued)

B. Major Component Units

Capital asset activity, for the year ended June 30, 2007, reported for discretely presented major component unit funds with significant capital asset balances was as follows (dollars in thousands):

	Major Component Units			
	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Ohio State University:				
Capital Assets Not Being Depreciated:				
Land.....	\$ 52,543	\$ 211	\$ (701)	\$ 52,053
Construction-in-Progress	433,357	—	(151,782)	281,575
Total Capital Assets				
Not Being Depreciated.....	485,900	211	(152,483)	333,628
Other Capital Assets:				
Buildings	2,877,674	391,445	(21,280)	3,247,839
Land Improvements	241,209	15,808	—	257,017
Machinery, Equipment and Vehicles.....	806,761	81,517	(67,310)	820,968
Library Books and Publications.....	162,924	3,472	(2,629)	163,767
Total Other Capital Assets				
at historical cost	4,088,568	492,242	(91,219)	4,489,591
Less Accumulated Depreciation for:				
Buildings	1,082,641	103,649	(15,999)	1,170,291
Land Improvements	128,956	10,922	—	139,878
Machinery, Equipment and Vehicles...	525,790	73,521	(56,458)	542,853
Library Books and Publications.....	141,433	5,565	(2,629)	144,369
Total Accumulated Depreciation.....	1,878,820	193,657	(75,086)	1,997,391
Other Capital Assets, Net	2,209,748	298,585	(16,133)	2,492,200
Total Capital Assets, Net	<u>\$2,695,648</u>	<u>\$298,796</u>	<u>\$(168,616)</u>	<u>\$2,825,828</u>
University of Cincinnati:				
Capital Assets Not Being Depreciated:				
Land.....	\$ 21,923	\$ —	\$ —	\$ 21,923
Construction-in-Progress	141,295	131,735	(96,365)	176,665
Collections of Works of Art and Historical Treasures	4,356	18	(10)	4,364
Total Capital Assets				
Not Being Depreciated	167,574	131,753	(96,375)	202,952
Other Capital Assets:				
Buildings	1,532,286	65,612	—	1,597,898
Land Improvements	78,014	3,615	—	81,629
Machinery, Equipment and Vehicles.....	191,650	13,383	—	205,033
Library Books and Publications.....	131,684	9,057	—	140,741
Infrastructure.....	89,668	6,685	—	96,353
Total Other Capital Assets				
at historical cost	2,023,302	98,352	—	2,121,654
Less Accumulated Depreciation for:				
Buildings	517,687	56,514	(34)	574,167
Land Improvements	10,773	3,906	9	14,688
Machinery, Equipment and Vehicles...	110,425	16,308	(3,253)	123,480
Library Books and Publications.....	86,240	7,243	(1,524)	91,959
Infrastructure.....	44,750	3,599	—	48,349
Total Accumulated Depreciation.....	769,875	87,570	(4,802)	852,643
Other Capital Assets, Net	1,253,427	10,782	4,802	1,269,011
Total Capital Assets, Net	<u>\$1,421,001</u>	<u>\$142,535</u>	<u>\$ (91,573)</u>	<u>\$1,471,963</u>

For fiscal year 2007, Ohio State University and the University of Cincinnati reported approximately \$193.7 million and \$87.6 million in depreciation expense, respectively.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

All part-time and full-time employees and elected officials of the State, including its component units, are eligible to be covered by one of the following retirement plans:

- Ohio Public Employees Retirement System
- State Teachers Retirement System of Ohio
- State Highway Patrol Retirement System
- Alternative Retirement Plan

A. Ohio Public Employees Retirement System (OPERS)

Pension Benefits

OPERS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans — a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan.

As established under Chapter 145, Ohio Revised Code, OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries enrolled in the defined benefit and combined plans.

Most employees who are members of OPERS and who have fewer than five years of total service credit as of December 31, 2002, and new employees hired on or after January 1, 2003, are eligible to select one of the OPERS retirement plans, as listed above, in which they wish to participate. Members not eligible to select a plan include law enforcement officers (who must participate in the defined benefit plan), college and university employees who choose to participate in one of their university's alternative retirement plans (see NOTE 9D.), and re-employed OPERS retirees. Participants may change their selection once prior to attaining five years of service credit, once after attaining five years of service credit and prior to attaining ten years of service credit, and once after attaining ten years of service credit.

Regular employees who participate in the defined benefit plan or the combined plan may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. Regular employees retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Law enforcement employees may retire at age 48 with 25 or more years of credited service.

The retirement allowance for the defined benefit plan is based on years of credited service and the final average salary, which is the average of the mem-

ber's three highest salary years. The annual allowance for regular employees is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 30 years and by 2.5 percent for all other years in excess of 30 years of credited service. The annual allowance for law enforcement employees is determined by multiplying the final average salary by 2.5 percent for the first 25 years of Ohio contributing service, and by 2.1 percent for each year of service over 25 years. Retirement benefits increase three percent annually regardless of changes in the Consumer Price Index.

The retirement allowance for the defined benefit portion of the combined plan is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance for regular employees is determined by multiplying the final average salary by one percent for each year of Ohio contributing service up to 30 years and by 1.25 percent for all other years in excess of 30 years of credited service. Retirement benefits for the defined benefit portion of the plan increase three percent annually regardless of changes in the Consumer Price Index. Additionally, retirees receive the proceeds of their individual retirement plans in a manner similar to retirees in the defined contribution plan, as discussed below.

Regular employees who participate in the defined contribution plan may retire after they reach the age of 55. The retirement allowance for the defined contribution plan is based entirely on the total member and vested employer contributions to the plan, plus or minus any investment gains or losses. Employer contributions vest at a rate of 20 percent per year over a five-year vesting period. Retirees may choose from various payment options including monthly annuities, partial lump-sum payments, payments for a guaranteed period, or various combinations of these options. Participants direct the investment of their accounts by selecting from nine professionally managed investment options.

Retirees covered under any one of the three OPERS plan options may also choose to take part of their retirement benefit in a Partial Lump-Sum Option Plan (PLOP). Under this option, the amount of the monthly pension benefit paid to the retiree is actuarially reduced to offset the amount received initially under the PLOP. The amount payable under the PLOP is limited to a minimum of six months and maximum of 36 months worth of the original unreduced monthly pension benefit, and is capped at no more than 50 percent of the retirement benefit amount.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer and employee required contributions to OPERS are established under the Ohio Revised Code and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. Contribution rates for fiscal year 2007, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

	Contribution Rates	
	Employee Share	Employer Share
Regular Employees:		
July 1, 2006 through December 31, 2006	9.00%	13.54%
January 1, 2007 through June 30, 2007	9.50%	13.77%
Law Enforcement Employees:		
July 1, 2006 through December 31, 2006	10.10%	16.93%
January 1, 2007 through June 30, 2007	10.10%	17.17%

The employer rate for regular employees is scheduled to increase to 14 percent beginning January 1, 2008. The employer rate for law enforcement employees is scheduled to increase to 17.4 percent, beginning January 1, 2008, and incrementally thereafter, until reaching 18.1 percent on January 1, 2011. The employee rate for regular employees is scheduled to increase to ten percent beginning January 1, 2008.

In the combined plan, the employer's share finances the defined benefit portion of the plan, while the employee's share finances the defined contribution portion of the plan. In the defined contribution plan, both the employee and employer share of the costs are used to finance the plan.

Employer contributions required and made for the last three years for the defined benefit plan and the defined benefit part of the combined plan follow (dollars in thousands):

	2007	2006	2005
<i>Primary Government:</i>			
Regular Employees..	\$254,977	\$253,259	\$248,032
Law Enforcement Employees	4,112	3,988	3,946
Total	<u>\$259,089</u>	<u>\$257,247</u>	<u>\$251,978</u>
<i>Major Component Units:</i>			
School Facilities Commission	\$ 317	\$ 297	\$ 283
Ohio Water Development Authority	89	82	83
Ohio State University	70,385	62,108	63,044
University of Cincinnati	14,162	13,285	14,070

Employer and employee contributions required and made for the last three fiscal years for the defined contribution plan and the defined contribution part of the combined plan follow (dollars in thousands):

	2007	2006	2005
<i>Primary Government:</i>			
Employer Contributions	\$3,455	\$2,598	\$2,054
Employee Contributions	7,718	5,828	4,375
<i>Major Component Units:</i>			
Ohio State University:			
Employer Contributions	1,618	1,185	1,002
Employee Contributions	3,536	2,494	2,032
University of Cincinnati:			
Employer Contributions	292	236	200
Employee Contributions	595	460	403

OPERS issues a stand-alone financial report, copies of which may be obtained by making a written request to: Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

Other Postemployment Benefits (OPEB)

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2007, employers paid 4.5 percent of their share into members' accounts for the period covering July 1, 2006 through December 31, 2006, and 4.5 percent for the period covering January 1, 2007 through June 30, 2007. An employee's interest in the medical account for qualifying healthcare expenses vests on the basis of length of service, with 100 percent vesting attained after 10 years of service credit. Employers make no further contributions to a member's medical account after retirement, nor do employers have any further obligation to provide postemployment healthcare benefits.

Employer contributions, for the fiscal year ended June 30, 2007, were as follows (dollars in thousands):

	2007
<i>Primary Government.....</i>	\$1,805
<i>Major Component Units:</i>	
Ohio State University	796
University of Cincinnati	144



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

All age and service retirees who are members of the defined benefit or combined plans with 10 or more years of service credit qualify for healthcare coverage under OPERS. Members hired after January 1, 2003, with no prior service credit vest according to length of service. Members with 10 years of service credit have a 25-percent vested interest. Vested interest increases with service credit until members attain a 100 percent vested interest after reaching 30 years of service credit. Members hired after January 1, 2003 can also choose various coverage options.

Healthcare coverage for disability recipients and primary survivor recipients is also available to members of the defined benefit and combined plans. Chapter 145, Ohio Revised Code, provides the statutory authority for employer contributions. For law enforcement and regular employees, the portion of the employer rate used to fund healthcare was 4.5 percent of covered payroll for the period, July 1, 2006 through December 31, 2006, and five percent for the period, January 1, 2007 through June 30, 2007. Employees do not fund any portion of healthcare costs.

Benefits in the defined benefit and combined plans are advance-funded using the entry-age, normal actuarial cost method of valuation. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 2005 (the latest information available), include a rate of return on investments of 6.5 percent, an annual increase in total payroll for active employees of four percent compounded annually for inflation (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Healthcare costs were assumed to increase between 4.5 percent and ten percent annually for the next nine years, and at an annual rate of four percent thereafter.

Net assets available for payment of benefits at December 31, 2005 were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively. All investments are carried at market value.

For the actuarial valuation of net assets available for future healthcare benefits, OPERS applies the smoothed market approach. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investments.

For fiscal year 2007, the State's actuarially required and actual contributions for the defined benefit plan and the defined benefit portion of the combined plan were as follows (dollars in thousands):

	2007
<i>Primary Government:</i>	
Regular Employees	\$135,968
Law Enforcement Employees	1,589
Total.....	<u>\$137,557</u>
<i>Major Component Units:</i>	
School Facilities Commission	\$ 169
Ohio Water Development Authority.....	47
Ohio State University	37,523
University of Cincinnati	7,550

The number of active contributing participants for the primary government was 58,976, as of June 30, 2007.

The Health Care Preservation Plan adopted by the OPERS Retirement Board on September 9, 2004, became effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Early Retirement Incentives

State agencies, or departments within agencies, may offer voluntary early retirement incentives (ERI) under Section 145.297, Ohio Revised Code. Through the ERI Program, the State can offer to purchase up to a maximum of five years worth of service credit from OPERS on behalf of employees who would then meet the age and service requirements to qualify for retirement. Qualifying employees have a minimum of one year to decide whether to accept the offer.

State agencies are also required under Section 145.298, Ohio Revised Code, to offer a generally similar ERI when terminating a number of employees that equals or exceeds the lesser of 50 employees or ten percent of the agency's workforce, as a result of a closure of the agency or a lay-off within a six-month period. Under these circumstances, qualifying employees must decide whether to accept the offer in the time between the announcement of the layoffs and their effective date, and the amount of service credit offered must be at least three years and not more than five years.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The ERI agreements establish an obligation to pay specific amounts on fixed dates. State agencies that implement an ERI must pay their obligation to OPERS within a maximum of two years after the agreement is finalized, so the State does not discount the amount of the liability incurred under the agreement.

As of June 30, 2007, the State had no significant liability balances relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2007, the State incurred expenditures/expenses totaling \$12.4 million for 263 employees who entered into ERI agreements with the State.

B. State Teachers Retirement System of Ohio (STRS)

Pension Benefits

STRS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan.

Participants in the defined benefit plan may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the greater of the “formula benefit” calculation, the “money-purchase benefit” calculation, or the “partial lump-sum” option plan.

Under the “formula benefit” calculation, the retirement allowance is based on years of credited service and the final average salary, which is the average of the member’s three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.2 percent for the first 30 years of credited service. Each year over 30 years is incrementally increased by .1 percent, starting at 2.5 percent for the 31st year of contributing service up to a maximum allowance of 100 percent of final

average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5 percent, and each year over 31 years is incrementally increased by .1 percent starting at 2.6 percent for the 32nd year.

Under the “money-purchase benefit” calculation, a member’s lifetime contributions, plus interest at specified rates, are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by three percent of the original base amount.

Retirees can also choose a “partial lump-sum” option plan. Under this option, retirees may take a lump-sum payment that equals from six to 36 times their monthly service retirement benefit. Subsequent monthly benefits are reduced proportionally.

Employees hired after July 1, 2001, and those with less than five years of service credit at that date, may choose to participate in the combined plan or the defined contribution plan, in lieu of participation in the defined benefit plan. Participants in the defined contribution plan are eligible to retire at age 50. Employee and employer contributions are placed into individual member accounts, and members direct the investment of their accounts by selecting from various professionally managed investment options. Retirees may choose to receive either a lump-sum distribution or a monthly annuity for life. Employer contributions become vested after one year of service, while employee contributions vest immediately.

Participants in the combined plan may start to collect the defined benefit portion of the plan at age 60. The annual allowance is determined by multiplying the final average salary by one percent for each year of Ohio contributing service credit. Participants in the combined plan may also participate in the partial lump-sum option plan, as described previously, for the portion of their retirement benefit that is provided through the defined benefit portion of the plan. The defined contribution portion of the plan may be taken as a lump sum or as a lifetime monthly annuity at age 50.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A retiree of STRS or any other Ohio public retirement system is eligible for re-employment as a teacher after two months from the date of retirement. Members and the employer make contributions during the period of re-employment. Upon termination or the retiree reaches the age of 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Alternatively, the retiree may receive a refund of member contributions with interest before age 65, once employment is terminated.

STRS also provides death, survivors', disability, healthcare, and supplemental benefits to members in the defined benefit and combined plans. STRS benefits are established under Chapter 3307, Ohio Revised Code.

Employer and employee required contributions to STRS are established by the Board and limited under the Ohio Revised Code to employer and employee rates of 14 percent and ten percent, respectively, and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuary.

Contribution rates for fiscal year 2007 were 14 percent for employers and ten percent for employees for the defined benefit, defined contribution, and combined plans. For the defined benefit and combined plans, 13 percent of the employer rate is used to fund pension obligations. The difference between the total employer rate and the share used to fund pension obligations is the percentage used to fund the STRS healthcare program. For the defined contribution plan, 10.5 percent of the employer's share is deposited into individual employee accounts, while 3.5 percent is paid to the defined benefit plan.

Employer contributions required and made for the last three years for the defined benefit and the defined benefit portion of the combined plans follow (dollars in thousands):

	2007	2006	2005
<i>Primary Government</i>	\$ 7,477	\$ 7,162	\$ 6,893
<i>Major Component Units:</i>			
Ohio State University....	35,523	34,038	33,075
University of Cincinnati ..	14,395	14,188	13,551

Employer and employee contributions required and made for the last three fiscal years for the defined contribution plan and the defined contribution part of the combined plan follow (dollars in thousands):

	2007	2006	2005
<i>Primary Government:</i>			
Employer Contributions	\$ 88	\$ 101	\$ 129
Employee Contributions	148	166	184
<i>Major Component Units:</i>			
Ohio State University:			
Employer Contributions	2,103	1,438	1,018
Employee Contributions	2,475	1,719	1,283
University of Cincinnati:			
Employer Contributions	769	789	651
Employee Contributions	973	970	770

STRS issues a stand-alone financial report, copies of which may be obtained by making a written request to: State Teachers Retirement System of Ohio, Attention: Chief Financial Officer, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling 1-888-227-7877.

Other Postemployment Benefits

The STRS plan provides comprehensive healthcare benefits to retirees and their dependents that are enrolled in the defined benefit and combined plans.

Retirees are required to make healthcare premium payments at amounts that vary according to each retiree's years of credited service and choice of healthcare provider. Retirees must pay additional premiums for covered spouses and dependents. Chapter 3307, Ohio Revised Code, gives the STRS board discretionary authority over how much, if any, of associated healthcare costs are absorbed by the plan. Currently, employer contributions equal to one percent of covered payroll are allocated to pay for healthcare benefits. Retirees enrolled in the defined contribution plan receive no postemployment healthcare benefits.

The employer contribution is financed on a pay-as-you-go basis. As of June 30, 2007, net assets available for future healthcare benefits were \$4.07 billion. Net healthcare costs paid by the primary government and its discretely presented major component units, for the year ended June 30, 2007, were as follows (dollars in thousands):

	2007
<i>Primary Government</i>	\$ 575
<i>Major Component Units:</i>	
Ohio State University	2,733
University of Cincinnati	1,107

The number of eligible benefit recipients for STRS as a whole was 161,911, as of June 30, 2007; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2007, is unavailable.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

C. State Highway Patrol Retirement System (SHPRS)

SHPRS, a component unit of the State, was established in 1941 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 6161 Busch Blvd., Suite 119, Columbus, Ohio 43229, or by calling (614) 431-0781.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol. In addition to providing pension benefits, SHPRS is authorized by Chapter 5505, Ohio Revised Code, to pay health insurance claims on behalf of all persons receiving a monthly pension or survivor benefit and Medicare Part B basic premiums for those eligible benefit recipients upon proof of coverage.

Chapter 5505, Ohio Revised Code, requires contributions by active members and the Ohio State Highway Patrol. The employee contribution rate is established by the General Assembly, and any change in the rate requires legislative action. The SHPRS Retirement Board establishes and certifies the employer contribution rate to the State of Ohio every two years. By law, the employer rate may not exceed three times the employee contribution rate nor be less than the employee contribution rate.

SHPRS' financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded when they are earned and become measurable.

All investments are reported at fair value. Fair value is, "the amount that the plan can reasonably expect to receive for an investment in a current sale, between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale." Short-term investments are reported at cost, which approximates fair value.

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate investments is based on independent appraisals. For actuarial purposes, assets are valued with a method that amortizes the differences between actual and assumed return over a closed, four-year period.

Pension Benefits

The employer and employee contribution rates, as of December 31, 2006, were 25.5 percent and ten percent, respectively.

During calendar year 2006, all of the employees' contributions funded pension benefits while 22 percent of the employer's contributions funded pension benefits. The difference in the total employer rates charged and the employer rates applicable to the funding of pension benefits is applied to the funding of postemployment healthcare benefits.

The employer's annual pension costs for the last three calendar years were as follows (dollars in thousands):

For the Year Ended December 31,	Primary Government	Percentage of Employer's Annual Pension Cost Contributed
2006	\$19,242	100%
2005	18,048	100
2004	17,870	100

SHPRS used the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2006. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: an eight-percent rate of return on investments; projected salary increase of four percent attributable to inflation and additional projected salary increases ranging from .3 percent to ten percent a year attributable to seniority and merit; price inflation was assumed to be at least four percent a year; and postretirement increases each year equal to three percent after the retiree reaches age 53.

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over a closed period of 28 years.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Schedule of Funding Progress for Pension Benefits for the last three years is presented in the following table. Amounts reported do not include assets or liabilities for postemployment healthcare benefits.

SHPRS Schedule of Funding Progress Last Three Calendar Years						
<i>(dollars in thousands)</i>						
(A)	(B)	(C)	(D)	(E)	(F)	(G)
Valuation Year	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL) (B) – (C)	Ratio of Assets to AAL (C)/(B)	Active Member Payroll	UAAL as Percentage of Active Member Payroll (D)/(F)
2006	\$807,761	\$653,493	\$154,268	80.9%	\$85,878	176.6%
2005 (b)	773,856	591,922	181,934	76.5	83,408	218.1
2005	766,741	591,922	174,819	77.2	83,408	209.6
2004 (a)	734,464	569,858	164,606	77.6	81,758	201.3
2004	737,867	569,858	168,009	77.2	81,758	205.5

(a) Plan Amendment
(b) Assumption or method change

Other Postemployment Benefits

The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The calendar year 2006 expense was \$8.9 million. The number of active contributing plan participants, as of December 31, 2006, was 1,592.

Healthcare benefits are advance funded by the employer on the same actuarially determined basis (using the same assumptions) as are the SHPRS pension benefits, as previously discussed. Premiums are assumed to increase annually by four percent, plus an additional percentage ranging from one to six percent through 2013. Net assets available for benefits allocated to healthcare costs at December 31, 2006 were \$104.9 million, and included investments carried at fair value, as previously described.

SHRPS used the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2006, for Other Postemployment Retirement Benefits. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: a 6.5 percent rate of return on

investments; projected salary increase of four percent attributable to inflation and additional projected salary increases ranging from .3 percent to ten percent a year attributable to seniority and merit; and price inflation was assumed to be at least four percent a year.

As of December 31, 2006, the unfunded actuarial accrued liability for healthcare benefits, the portion of the present value of plan promises to pay benefits in the future that are not covered by future normal cost contributions, was \$189.2 million; the actuarial accrued liability for healthcare benefits at that date was \$294.1 million.

Employer contributions are made in accordance with actuarially determined requirements. For calendar year 2006, the employer contribution requirement was approximately \$3.1 million or 3.5 percent of active member payroll.

The Schedule of Funding Progress for Other Postemployment Benefits for the last three years is presented below.

SHPRS Schedule of Funding Progress Last Three Calendar Years – OPEB						
<i>(dollars in thousands)</i>						
(A)	(B)	(C)	(D)	(E)	(F)	(G)
Valuation Year	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL) (B) – (C)	Ratio of Assets to AAL (C)/(B)	Active Member Payroll	UAAL as Percentage of Active Member Payroll (D)/(F)
2006	\$294,079	\$104,857	\$189,222	35.7%	\$85,878	220.3%
2005	281,094	95,889	185,205	34.1	83,408	222.0
2004	256,258	93,666	162,592	36.6	81,758	198.9



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

D. Alternative Retirement Plan (ARP)

Pension Benefits

The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least three or more alternative retirement plans for academic and administrative employees of Ohio's institutions of higher education, who otherwise would be covered by OPERS or STRS. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in the ARP.

The Board of Trustees of each public institution of higher education enters into contracts with each approved retirement plan provider. Once established, full-time faculty and unclassified employees who are hired subsequent to the establishment of the ARP, or who had less than five years of service credit under the existing retirement plans, may choose to enroll in the ARP. The choice is irrevocable for as long as the employee remains continuously employed in a position for which the ARP is available. For those employees that choose to join the ARP, any prior employee contributions that had been made to OPERS or STRS would be transferred to the ARP. The Ohio Department of Insurance has designated the companies that are eligible to serve as plan providers for the ARP.

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. Employees may also voluntarily make additional contributions to the ARP.

For the year ended June 30, 2007, employers were not required to contribute to the ARP on behalf of employees that would otherwise have been enrolled in OPERS.

Ohio law also requires each public institution of higher education to contribute 3.5 percent of a par-

ticipating employee's gross salary, for the year ended June 30, 2007, to STRS in cases when the employee would have otherwise been enrolled in STRS.

The employer contribution amount is subject to actuarial review every third year to determine if the rate needs to be adjusted to mitigate any negative financial impact that the loss of contributions may have on OPERS and STRS. The Board of Trustees of each public institution of higher education may also make additional payments to the ARP based on the gross salaries of employees multiplied by a percentage the respective Board of Trustees approves.

The ARP provides full and immediate vesting of all contributions made on behalf of participants. The contributions are directed to one of the investment management companies as chosen by the participants. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits. Benefits are entirely dependent on the sum of the contributions and related investment income generated by each participant's choice of investment options.

For the State's discretely presented major component units, employer and employee contributions required and made for the year ended June 30, 2007, for the ARP follow (dollars in thousands):

	2007	
	OPERS	STRS
<i>Major Component Units:</i>		
Ohio State University:		
Employer Contributions.....	\$19,281	\$17,926
Employee Contributions.....	13,071	12,804
University of Cincinnati:		
Employer Contributions.....	7,618	5,800
Employee Contributions.....	5,126	5,502



NOTE 10 GENERAL OBLIGATION BONDS

At various times since 1921, Ohio voters, by 18 constitutional amendments (the last adopted in November 2005 for local government infrastructure improvements, high-tech business research and development support, and business site development enhancements), have authorized the incurrence of general obligation debt for the construction and improvement of common school and higher education facilities, highways, local infrastructure improvements, research and development of coal technology, natural resources, research and development support for high-tech business, and business site development. Issuances for highway capital improvements, natural resources, and conservation are, in part, used for acquisition, construction, or improvement of capital assets. In practice, general obligation bonds are retired over periods of 10 to 25 years.

A 1999 constitutional amendment provided for the issuance of Common Schools Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2007, the General Assembly had authorized the issuance of \$4.15 billion in Common Schools Capital Facilities Bonds, of which \$3.29 billion had been issued. As of June 30, 2007, the General Assembly had also authorized the issuance of \$2.96 billion in Higher Education Capital Facilities Bonds, of which \$2 billion had been issued.

Through approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds in amounts up to \$220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than \$1.2 billion outstanding at any time. As of June 30, 2007, the General Assembly had authorized the issuance of approximately \$2.13 billion in Highway Capital Improvements Bonds, of which \$1.81 billion had been issued.

Constitutional amendments in 1995 and 2005 allowed for the issuance of \$2.55 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds). Issuances are limited to \$120 million in any fiscal year through fiscal year 2013, with an increase in the annual issuance amount to \$150 million for fiscal years 2014 through 2018. As of June 30, 2007, the General Assembly had authorized \$2.52 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which \$2.28 billion had been issued (net of \$214 million in unaccreted discounts at issuance).

Coal Research and Development Bonds and Parks, Recreation, and Natural Resources Bonds may be

issued as long as the outstanding principal amounts do not exceed \$100 and \$200 million, respectively. As of June 30, 2007, the General Assembly had authorized the issuance of \$165 million in Coal Research and Development Bonds, of which \$150 million had been issued.

Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled \$322 million, as of June 30, 2007, of which \$295 million had been issued.

The State may issue Conservation Projects Bonds up to \$200 million. No more than \$50 million may be issued during a fiscal year. As of June 30, 2007, the General Assembly had authorized the issuance of approximately \$200 million in Conservation Projects Bonds of which \$200 million had been issued.

Through approval of the November 2005 amendment, voters authorized the issuance of \$500 million of Third Frontier Research and Development Bonds. Not more than \$100 million may be issued in each of the first three years and not more than \$50 million may be issued in any of the subsequent fiscal years. As of June 30, 2007, the General Assembly had authorized the issuance of \$200 million in Third Frontier Research and Development Bonds, of which \$80.7 million had been issued as of June 30, 2007.

The issuance of \$150 million of Site Development Bonds was also authorized through the approval of the November 2005 amendment. Not more than \$30 million may be issued in each of the first three years and not more than \$15 million may be issued in any of the subsequent fiscal years. The General Assembly had authorized the issuance of \$90 million in Site Development Bonds as of June 30, 2007, of which \$30 million had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2007, are presented in the table on the following page. For the variable-rate bonds, using the assumption that current interest rates remain the same over their term, the interest and net swap payment amounts are based on rates as of June 30, 2007. As rates vary, variable-rate bond interest payments and net swap payments vary.

For the year ended June 30, 2007, NOTE 15 summarizes changes in general obligation bonds.



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Primary Government-Governmental Activities
Summary of General Obligation Bonds
and Future Funding Requirements
As of June 30, 2007
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities.....	2000-07	2.0%-5.5%	2027	\$3,004,397	\$855,000
Higher Education Capital Facilities.....	2000-07	2.5%-5.5%	2027	1,738,872	957,000
Highway Capital Improvements.....	1999-07	2.1%-5.6%	2017	893,596	325,000
Infrastructure Improvements	1990-07	2.3%-7.6%	2026	1,460,058	240,014
Coal Research and Development	2000-04	2.0%-5.0%	2013	30,365	15,000
Natural Resources Capital Facilities	1999-07	2.0%-5.4%	2020	176,485	27,000
Conservation Projects	2002-07	2.0%-5.3%	2023	180,681	—
Third Frontier Research and Development ...	2007	4.0%-5.5%	2017	71,527	119,280
Site Development.....	2007	3.4%-5.3%	2016	27,285	60,000
Total General Obligation Bonds.....				<u>\$7,583,266</u>	<u>\$2,598,294</u>

Future Funding of Current Interest and Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2008.....	\$ 518,590	\$303,400	\$ 185	\$ 822,175
2009.....	513,320	283,778	125	797,223
2010.....	506,205	261,524	63	767,792
2011.....	474,970	239,288	—	714,258
2012.....	472,085	216,224	—	688,309
2013-2017	1,980,465	785,397	—	2,765,862
2018-2022	1,519,475	372,884	—	1,892,359
2023-2027	694,365	64,574	—	758,939
Total Current Interest and Capital Appreciation Bonds	<u>\$6,679,475</u>	<u>\$2,527,069</u>	<u>\$ 373</u>	<u>\$9,206,917</u>

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2008.....	\$ 17,015	\$ 26,632	\$ (914)	\$ 42,733
2009.....	17,235	26,424	(845)	42,814
2010.....	19,345	25,734	(421)	44,658
2011.....	21,125	25,011	6	46,142
2012.....	19,230	24,272	29	43,531
2013-2017	239,075	102,935	243	342,253
2018-2022	266,855	51,676	(546)	317,985
2023-2027	125,555	9,618	(506)	134,667
Total Variable-Rate Bonds	<u>\$ 725,435</u>	<u>\$ 292,302</u>	<u>\$(2,954)</u>	<u>\$1,014,783</u>
Total General Obligation Bonds	7,404,910			
Unamortized Premium/ (Discount), Net.....	230,681			
Deferred Refunding Loss	(52,325)			
Total Carrying Amount.....	<u>\$7,583,266</u>			



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Interest Rate Swaps

As of June 30, 2007, approximately \$741 million of issued Infrastructure Improvement Bonds and Common Schools Bonds include associated interest-rate swaps. Terms of the swap agreements are provided in the tables below and on page 105. Fair value has been determined using the zero-coupon method.

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement. This arrangement protects the State by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

The State retains the right to terminate any swap agreement at the market value prior to maturity. The

State has termination risk under the contracts, particularly upon the occurrence of an additional termination event (ATE), as defined in the swap agreements. An ATE occurs if either the credit rating of the bonds associated with a specific swap or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. If the swap was terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the State would be liable to the counterparty for a payment at the swap's fair value. Other termination events include failure to pay, bankruptcy, merger without assumption, and illegality. No such credit events have occurred.

Interest rate risk, rollover risk, basis risk, and credit risk vary for each interest rate swap. Discussion of these risks has also been included by swap, when applicable.

**Primary Government-Governmental Activities
Interest Rate Swaps—Infrastructure Improvements
As of June 30, 2007
(dollars in thousands)**

Issue	Type of Swap	Original Notional Amount	Underlying Index	Counterparty's Swap Rate at 06/30/07	State's Swap Rate at 06/30/07	Effective Date	Termination (Maturity) Date	Fair Value
Infrastructure Improvements, Series 2001B	Floating to fixed knock-out	\$63,900	SIFMA Index	3.73%	4.63%	11/29/01	08/01/21	\$(1,569)
Credit Quality Ratings of Counterparties:		50% Aaa/AAA Bear Stearns Financial Products; 50% Aa3/AA- Morgan Stanley Capital Services						
Infrastructure Improvements, Refunding Series 2003B	Floating to fixed	\$104,315	Actual Bond Rate	3.73%	2.96%	02/26/03	08/01/08	\$764
Credit Quality Ratings of Counterparty:		Aa3/AA- Morgan Stanley Capital Services						
Infrastructure Improvements, Refunding Series 2003D	Floating to fixed	\$58,085	Actual Bond Rate	3.73%	3.04%	03/20/03	02/01/10	\$875
Credit Quality Ratings of Counterparty:		Aa3/AA- Morgan Stanley Capital Services						
Infrastructure Improvements, Series 2003F	Fixed to floating	\$30,115	SIFMA Index	2.54%	3.73%	12/04/03	02/01/10	\$(264)
Credit Quality Ratings of Counterparty:		Aaa/AA JP Morgan Chase						
Infrastructure Improvements, Refunding Series 2004A	Floating to fixed Enhanced LIBOR	\$58,725	LIBOR (see terms below)	3.62%	3.51%	03/03/04	02/01/23	\$1,209
Credit Quality Ratings of Counterparty:		Aa3/AA- Morgan Stanley Capital Services						
Terms: 68% of LIBOR (1-month LIBOR > 5.0%) or 63% of LIBOR + 25 basis points (1-month LIBOR < 5.0%)								



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Infrastructure Improvements-Series 2001B

The State entered into an interest rate swap to convert the Series 2001B variable-rate bonds into a synthetic fixed rate to minimize interest expense. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2007. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

In addition, the swap has a knock-out option. In the event the 180-day average of the SIFMA index rate exceeds seven percent, the counterparty can knock-out (cancel) the swap. If the counterparty exercises its option to cancel, the State would be exposed to higher floating rates.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively raise the fixed rate that the State pays on the swap. The SIFMA municipal swap index has proven to be a good proxy for the State's variable-rate debt and substantially mitigates basis risk.

*Infrastructure Improvements-
Refunding Series 2003B*

The State entered into an interest rate swap to convert the Series 2003B variable-rate refunding bonds into a synthetic fixed rate through the escrow period of the refunded bonds. The combination of variable-rate bonds and a floating-to-fixed swap creates a low-cost, synthetic fixed-rate debt during the escrow period without incurring negative arbitrage, increases the State's variable-rate exposure after the call date, and generates expected present value savings from the refunding.

The swap matures on August 1, 2008, and the Series 2003B variable-rate bonds mature on August 1, 2017. This mismatch in terms allows the State to increase its variable rate exposure after August 1, 2008, which is consistent with its long-term asset/liability management policy objective.

The State has credit risk exposure of \$764 thousand at June 30, 2007.

*Infrastructure Improvements-
Refunding Series 2003D*

The State entered into an interest rate swap to convert the Series 2003D variable-rate refunding bonds into a synthetic fixed rate through the escrow period

of the refunded bonds. The combination of variable-rate bonds and a floating-to-fixed swap creates a low-cost, synthetic fixed-rate debt during the escrow period without incurring negative arbitrage, increases the State's variable-rate exposure after the call date, and generates expected present value savings from the refunding.

The swap matures on February 1, 2010, and the Series 2003D variable-rate bonds mature on February 1, 2019. This mismatch in terms allows the State to increase its variable rate exposure after February 1, 2010, which is consistent with its long-term asset/liability management policy objective.

The State has credit risk exposure of \$875 thousand at June 30, 2007.

Infrastructure Improvements-Series 2003F

The State entered into an interest rate swap to convert a portion of the Series 2003F fixed-rate bonds into a synthetic variable rate. The combination of fixed-rate bonds and a fixed-to-floating swap creates synthetic variable-rate debt that is exposed to changing interest rates. The borrowing cost is less than the traditional variable borrowing cost.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2007. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

*Infrastructure Improvements-
Refunding Series 2004A*

The State entered into an interest rate swap to convert the Series 2004A variable-rate bonds into a synthetic fixed rate to minimize interest expense. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State has credit risk exposure of \$1.2 million at June 30, 2007.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Primary Government-Governmental Activities Interest Rate Swaps—Common Schools As of June 30, 2007 <i>(dollars in thousands)</i>								
Issue	Type of Swap	Original Notional Amount	Underlying Index	Counterparty's Swap Rate at 06/30/07	State's Swap Rate at 06/30/07	Effective Date	Termination (Maturity) Date	Fair Value
Common Schools, Series 2003D	Fixed to floating	\$67,000	SIFMA Index	2.67%	3.73%	12/15/03	09/01/07	\$(144)
Credit Quality Ratings of Counterparties:		50% Aaa/AA JP Morgan Chase; 50% Aa3/AA- Morgan Stanley Capital Services						
Common Schools, Series 2003D	Floating to fixed LIBOR	\$67,000	LIBOR (see terms below)	N/A	N/A	09/14/07	03/15/24	\$3,514
Credit Quality Ratings of Counterparties:		50% Aaa/AA JP Morgan Chase; 50% Aa3/AA- Morgan Stanley Capital Services						
Terms: 65% of 1-month LIBOR + 25 basis points								
Common Schools, Series 2005A	Floating to Fixed LIBOR	\$100,000	LIBOR (see terms below)	3.53%	3.75%	04/01/05	03/15/25	\$(8,062)
Credit Quality Ratings of Counterparties:		50% Aaa/AAA Bear Stearns Financial Products; 50% Aaa/AA JP Morgan Chase						
Terms: 62% of 10-year LIBOR								
Common Schools, Series 2005B	Floating to Fixed LIBOR	\$100,000	LIBOR (see terms below)	3.53%	3.75%	04/01/05	03/15/25	\$(8,062)
Credit Quality Ratings of Counterparties:		50% Aaa/AAA Bear Stearns Financial Products; 50% Aaa/AA JP Morgan Chase						
Terms: 62% of 10-year LIBOR								
Common Schools, Series 2006B	Floating to fixed LIBOR	\$100,000	LIBOR (see terms below)	3.71%	3.20%	06/15/06	06/15/26	\$5,214
Credit Quality Ratings of Counterparties:		50% Aaa/AA+ UBS AG; 50% Aaa/AA- Royal Bank of Canada						
Terms: 65% of 1-month LIBOR + 25 basis points								
Common Schools, Series 2006C	Floating to fixed LIBOR	\$100,000	LIBOR (see terms below)	3.71%	3.20%	06/15/06	06/15/26	\$5,214
Credit Quality Ratings of Counterparties:		50% Aaa/AA+ UBS AG; 50% Aaa/AA- Royal Bank of Canada						
Terms: 65% of 1-month LIBOR + 25 basis points								

Common Schools-Series 2003D

The State entered into a fixed-to-floating interest rate swap to convert its Common Schools, Series 2003D fixed-rate bonds into a synthetic variable rate through September 1, 2007. The swap allows the State to achieve variable rate exposure synthetically at a rate equal to the SIFMA index less 21.5 basis points. The synthetic variable rate created under this swap exposes the State to the risk of rising interest rates.

The fixed-to-floating swap matures on September 1, 2007, and the Common Schools, Series 2003D bonds mature March 15, 2024. Upon expiration of the swap, the bonds are expected to change from a synthetic variable rate to a natural variable rate.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2007. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

On August 25, 2005, the State entered into a forward starting floating-to-fixed swap effective September 14, 2007, in connection with the Common Schools, Series 2003D bonds. This swap enabled the State to lock in a low borrowing cost on its variable-rate bonds.

The State has credit risk exposure on the floating-to-fixed swap of \$3.5 million at June 30, 2007.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

The floating-to-fixed swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

Common Schools-Series 2005A

The State entered into an interest rate swap to convert its Common Schools, Series 2005A variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2007. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a long-dated taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities and the risk of the LIBOR yield curve being flat or inverted for extended periods of time. Any changes in federal tax rates would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index. A flat or inverted LIBOR yield curve would likely result in a shortfall between the variable-rate swap receipt and the payments on the associated variable-rate bonds.

Common Schools-Series 2005B

The State entered into an interest rate swap to convert its Common Schools, Series 2005B variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-

rate debt that protects the State from rising interest rates.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2007. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a long-dated taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities and the risk of the LIBOR yield curve being flat or inverted for extended periods of time. Any changes in federal tax rates would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index. A flat or inverted LIBOR yield curve would likely result in a shortfall between the variable-rate swap receipt and the payments on the associated variable-rate bonds.

Common Schools-Series 2006B

The State entered into an interest rate swap to convert its Common Schools, Series 2006B variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State has credit risk exposure of \$5.2 million at June 30, 2007.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Common Schools-Series 2006C

The State entered into an interest rate swap to convert its Common Schools, Series 2006C variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed rate debt that protects the State from rising interest rates.

The State has credit risk exposure of \$5.2 million at June 30, 2007.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would in-

crease the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

Advance Refundings

Proceeds of the refunding (new) bonds are placed in irrevocable trusts to provide for all future debt service payments of the refunded (old) bonds. These refunded amounts are considered defeased and no longer outstanding. The various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements.

The State has defeased general obligation bonds in prior years and placed the proceeds in irrevocable trusts. As of June 30, 2007, the balances in these trusts for bonds defeased in prior years were \$375.1 million for Infrastructure Improvement Bonds, \$53.5 million for Natural Resources Bonds, \$156.3 million for Common Schools Bonds, and \$106 million for Higher Education Bonds.

NOTE 11 REVENUE BONDS AND NOTES

The State Constitution permits state agencies and authorities to issue bonds that are not supported by the full faith and credit of the State. These bonds pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service. Issuers for the primary government include the Treasurer of State for the Ohio Department of Development and its Office of Financial Incentives; the Ohio Building Authority (OBA), which has issued revenue bonds on its own behalf and for the Ohio Bureau of Workers' Compensation; and the Ohio Department of Transportation. Major issuers for the State's component units include the Ohio Water Development Authority, the Ohio State University, and the University of Cincinnati.

A. Primary Government

Economic Development bonds, issued by the Treasurer of State for the Office of Financial Incentive's Direct Loan Program, provide financing for loans and loan guarantees to businesses within the State for economic development projects that create or retain jobs in the State. The taxable bonds are backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control and pledged moneys and related investment earnings held in reserve under a trust agreement with a financial institution.

In December 1998, the Treasurer of State entered into a forward purchase refunding agreement to advance refund approximately \$102 million in Series 1996 Taxable Development Assistance Bonds on

October 1, 2006. Under the terms of the bond purchase agreement, the underwriter purchased approximately \$102 million in Series 1998 Taxable Development Assistance Refunding Bonds and delivered cash and/or direct U.S. government obligations to the escrow agent for the redemption of the refunded bonds on October 2, 2006. Since the State has taken delivery of the proceeds from the issuance of the Series 1998 Taxable Development Assistance Refunding Bonds during fiscal year 2007, the refunding bonds are included in the financial statements as of June 30, 2007.

Revitalization Project revenue bonds provide financing to enable the remediation or clean up of contaminated publicly or privately owned lands to allow for their environmentally safe and productive development. The Revitalization Project bonds are also backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control.

Since fiscal year 1998, the Treasurer of State has issued a total of \$723 million in State Infrastructure Bank Bonds for various transportation construction projects financed by the Department of Transportation. The State has pledged federal highway receipts and loan repayments received under the State Infrastructure Bank Loan Program as the primary sources of moneys for meeting the principal and interest requirements on the bonds. Issuances for the State Infrastructure Bank are, in part, used for acquisition, construction, or improvement of capital assets.



NOTE 11 REVENUE BONDS AND NOTES (Continued)

Revenue bonds accounted for in business-type activities finance the costs of office buildings and related facilities constructed by the OBA for shared use by local governments and the William Green Building, which houses the main operations of the Ohio Bureau of Workers' Compensation in Columbus. The debt issuance for the William Green Building has been used for acquisition and construction of capital assets. The principal and interest requirements on the OBA bonds are paid from rentals received under the long-term lease agreements discussed in NOTE 5D.

Revenue bonds outstanding for the primary government, as of June 30, 2007, are presented below.

For the year ended June 30, 2007, NOTE 15 summarizes changes in revenue bonds.

Future bond service requirements for revenue bonds of the primary government, as of June 30, 2007, are presented below.

**Primary Government
Revenue Bonds
As of June 30, 2007
(dollars in thousands)**

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Governmental Activities:				
Treasurer of State:				
Economic Development	1997-06	4.3%-7.7%	2026	\$310,057
Revitalization Project.....	2003-06	3.6%-5.0%	2021	91,428
State Infrastructure Bank	1998-07	2.8%-6.0%	2022	410,425
Total Governmental Activities.....				811,910
Business-Type Activities:				
Ohio Building Authority.....	1997-04	2.0%-4.0%	2008	2,664
Bureau of Workers' Compensation	2003	1.6%-4.0%	2014	113,076
Total Business-Type Activities.....				115,740
Total Revenue Bonds				<u>\$927,650</u>

**Primary Government
Future Funding Requirements for Revenue Bonds
As of June 30, 2007
(dollars in thousands)**

Year Ending June 30,	Governmental Activities			Business-Type Activities			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 98,065	\$ 40,955	\$ 139,020	\$ 17,741	\$ 5,337	\$ 23,078	\$115,806	\$ 46,292	\$ 162,098
2009	91,050	36,504	127,554	16,005	4,606	20,611	107,055	41,110	148,165
2010	77,270	32,140	109,410	15,930	3,867	19,797	93,200	36,007	129,207
2011	61,775	28,088	89,863	15,865	3,109	18,974	77,640	31,197	108,837
2012	49,065	25,214	74,279	15,890	2,326	18,216	64,955	27,540	92,495
2013-2017	232,360	86,578	318,938	31,115	2,294	33,409	263,475	88,872	352,347
2018-2022	136,010	35,118	171,128	—	—	—	136,010	35,118	171,128
2023-2027	46,625	3,983	50,608	—	—	—	46,625	3,983	50,608
	792,220	288,580	1,080,800	112,546	21,539	134,085	904,766	310,119	1,214,885
Net Unamortized Premium/(Discount)	28,293	—	28,293	5,078	—	5,078	33,371	—	33,371
Deferred Refunding Loss ..	(8,603)	—	(8,603)	(1,884)	—	(1,884)	(10,487)	—	(10,487)
Total	<u>\$811,910</u>	<u>\$288,580</u>	<u>\$1,100,490</u>	<u>\$115,740</u>	<u>\$21,539</u>	<u>\$137,279</u>	<u>\$927,650</u>	<u>\$310,119</u>	<u>\$1,237,769</u>



STATE OF OHIO
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NOTE 11 REVENUE BONDS AND NOTES (Continued)

B. Component Units

Ohio Water Development Authority (OWDA) bonds and notes provide financing to local government authorities (LGA) in the State of Ohio for the acquisition, construction, maintenance, repair, and operation of water development projects and solid waste projects, including the construction of sewage and related water treatment facilities. The principal and interest requirements on OWDA obligations are generally paid from investment earnings, federal funds and/or repayments of loan principal and interest thereon from the LGAs.

A portion of OWDA's outstanding bonds has been issued for the Water Pollution Control Loan Program, which provides low-cost financing to LGAs for the construction of wastewater treatment facilities. In the event pledged program revenues, which consist of interest payments from the LGAs as reimbursement for construction costs, are not sufficient to meet debt service requirements for the bonds, the General Assembly may appropriate moneys for the full replenishment of a bond reserve. As of December 31, 2006, approximately \$1.48 billion in bonds were outstanding for this program.

Future bond service requirements for the Water Pollution Control Loan Program revenue bonds, as of

December 31, 2006, were as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2007.....	\$52,965	\$69,552	\$122,517
2008.....	70,285	67,155	137,440
2009.....	80,420	63,927	144,347
2010.....	86,190	59,916	146,106
2011.....	89,895	55,640	145,535
2012-2016.....	359,865	220,676	580,541
2017-2021.....	426,845	99,496	526,341
2022-2026.....	255,235	25,089	280,324
	1,421,700	661,451	2,083,151
Net Unamortized Premium/(Discount)	94,965	—	94,965
Deferred Refunding Loss	(34,085)	—	(34,085)
Total.....	<u>\$1,482,580</u>	<u>\$661,451</u>	<u>\$2,144,031</u>

Of the outstanding revenue bonds and notes reported for the OWDA component unit fund, approximately \$94.4 million in bonds had adjustable interest rates that are reset weekly at rates determined by the remarketing agency. As of December 31, 2006, the rate for the variable-rate bonds was approximately 3.8 percent.

**Major Component Units
Future Funding Requirements for Revenue Bonds
As of June 30, 2007**
(dollars in thousands)

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/06)			Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007.....	\$ 125,170	\$ 112,525	\$ 237,695	\$ 512,837	\$ 42,821	\$ 555,658	\$130,725	\$ 39,863	\$ 170,588
2008.....	177,210	112,506	289,716	32,715	26,510	59,225	30,170	35,016	65,186
2009.....	164,470	102,158	266,628	33,959	25,206	59,165	30,920	33,768	64,688
2010.....	139,465	94,425	233,890	44,689	23,785	68,474	34,660	32,414	67,074
2011.....	143,970	87,750	231,720	36,753	22,182	58,935	36,495	30,951	67,446
2012.....	—	—	—	—	—	—	—	—	—
2012-2016.....	717,295	344,582	1,061,877	—	—	—	—	—	—
2013-2017.....	—	—	—	149,317	82,508	231,825	201,975	129,601	331,576
2017-2021.....	646,175	166,959	813,134	—	—	—	—	—	—
2018-2022.....	—	—	—	125,517	51,947	177,464	199,370	81,045	280,415
2022-2026.....	376,550	48,019	424,569	—	—	—	—	—	—
2023-2027.....	—	—	—	82,169	25,121	107,290	150,395	39,715	190,110
2027-2031.....	30,750	5,927	36,677	—	—	—	—	—	—
2028-2032.....	—	—	—	54,849	8,767	63,616	89,135	9,477	98,612
2032-2036.....	4,845	274	5,119	—	—	—	—	—	—
2033-2037.....	—	—	—	15,677	452	16,129	—	—	—
	2,525,900	1,075,125	3,601,025	1,088,482	309,299	1,397,781	903,845	431,850	1,335,695
Net Unamortized Premium/(Discount)	101,201	—	101,201	—	—	—	4,444	—	4,444
Deferred Refunding Loss ..	(60,151)	—	(60,151)	—	—	—	—	—	—
Total.....	<u>\$2,566,950</u>	<u>\$1,075,125</u>	<u>\$3,642,075</u>	<u>\$1,088,482</u>	<u>\$309,299</u>	<u>\$1,397,781</u>	<u>\$908,289</u>	<u>\$431,850</u>	<u>\$1,340,139</u>



NOTE 11 REVENUE BONDS AND NOTES (Continued)

Generally, bonds and notes issued by the state universities and state community colleges are payable from the institutions' available receipts, including student fees, rental income, and gifts and donations, as may be provided for in the respective bond proceedings, for the construction of educational and student residence facilities and auxiliary facilities such as dining halls, hospitals, parking facilities, bookstores, and athletic facilities.

Except as previously discussed with respect to OWDA's Water Pollution Control Loan Program bonds, the State is not obligated in any manner for the debt of its component units.

Future bond service requirements for revenue bonds and notes reported for the discretely presented major component units, as of June 30, 2007, are presented in the table at the bottom of the previous page.

NOTE 12 SPECIAL OBLIGATION BONDS

The Ohio Building Authority (OBA) and the Treasurer of State issue special obligation bonds reported in governmental activities.

OBA bonds finance the capital costs of categories of facilities including correctional facilities and office buildings for state departments and agencies and, in some cases, related facilities for local governments. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.

Under the authority of Chapter 154, Ohio Revised Code, the Treasurer of State is the issuer of special obligation bonds that finance the cost of capital facilities for state-supported institutions of higher education, mental health and retardation institutions, parks and recreation, and cultural and sports facilities. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.

Elementary and Secondary Education Bonds, which the Treasurer of State issued for the Department of

Education, finance the construction costs of capital facilities for local school districts.

The State reports OBA bonds issued for capital projects that benefit state agencies as special obligation bonds, while OBA bonds issued to finance the costs of local government facilities are reported as revenue bonds (See NOTE 11).

Pledges of lease rental payments from appropriations made to the General Fund, Highway Safety and Highway Operating Special Revenue funds, and Underground Parking Garage Enterprise Fund, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents, secure the special obligation bonds. The lease rental payments are reported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding and bonds authorized but unissued, as of June 30, 2007, are presented in the following table.

**Primary Government-Governmental Activities
Special Obligation Bonds
As of June 30, 2007
(dollars in thousands)**

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Ohio Building Authority	1993-07	2.0%-6.1%	2025	\$1,766,870	\$278,600
Treasurer of State:					
Chapter 154 Bonds.....	1993-07	2.5%-5.5%	2020	1,177,255	202,225
Elementary and Secondary Education....	1998-99	4.0%-5.0%	2008	21,980	—
Total Special Obligation Bonds				<u>\$2,966,105</u>	<u>\$480,825</u>



STATE OF OHIO
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JUNE 30, 2007

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Future special obligation debt service requirements, as of June 30, 2007, were as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2008.....	\$454,854	\$134,946	\$589,800
2009.....	347,230	114,866	462,096
2010.....	336,525	97,717	434,242
2011.....	308,165	81,436	389,601
2012.....	280,625	67,073	347,698
2013-2017.....	807,045	188,932	995,977
2018-2022.....	316,030	51,609	367,639
2023-2027.....	62,160	5,338	67,498
	<u>2,912,634</u>	<u>741,917</u>	<u>3,654,551</u>
Net Unamortized Premium/ (Discount)	118,264	—	118,264
Deferred Refunding Loss....	(64,793)	—	(64,793)
Total	<u>\$2,966,105</u>	<u>\$741,917</u>	<u>\$3,708,022</u>

For the year ended June 30, 2007, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2007, the OBA and Treasurer of State defeased a number of special obligation bond issues *in substance* when the net proceeds of refunding bonds (after payment of underwriting fees and bond issue costs) were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. A resulting economic gain/(loss) from an advance refunding represents the difference between the present values of the debt service payments on the old and new debt.

Details on the advanced refundings for fiscal year 2007 are presented in the table below.

In prior years, the OBA and the Treasurer of State defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 2007, 364.3 million and 315.4 million of OBA and Chapter 154 special obligations bonds, respectively, are considered defeased and no longer outstanding.

Primary Government — Governmental Activities
Special Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2007
(dollars in thousands)

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded (in sub- stance)	Refunding Bond Proceeds Placed in Escrow	Reduction in Debt Service Payments	Economic Gain Re- sulting from Refunding
Ohio Building Authority:							
State Facilities (Administrative Building), Series 2006B	10/3/2006	\$70,335	3.93%	\$73,140	\$76,095	\$3,876/13 yrs	\$3,036
State Facilities (Juvenile Correctional Building), Series 2007B	5/2/2007	16,410	3.94%	17,039	17,565	653 / 9 yrs	563
Treasurer of State Chapter 154:							
Mental Health Facilities, Series II - 2006B	12/14/2006	26,775	4.75%	26,630	28,482	1,793 / 11 yrs	1,115
Culture State Facilities, Series II - 2006B	12/14/2006	28,295	4.83%	28,060	30,036	1,620 / 10 yrs	1,080
Parks and Recreation Facilities, Series II 2006A	12/14/2006	15,410	4.32%	14,760	15,968	924 / 11 yrs	656
Total		<u>\$157,225</u>		<u>\$159,629</u>	<u>\$168,146</u>		<u>\$6,450</u>



NOTE 13 CERTIFICATES OF PARTICIPATION

A. Primary Government

As of June 30, 2007, approximately \$122.2 million in certificate of participation (COP) obligations were reported in governmental activities.

In fiscal year 1992, the Ohio Department of Transportation participated in the issuance of \$8.7 million of COP obligations to finance the acquisition of the Panhandle Rail Line Project. In fiscal years 2005 and 2007, the Ohio Department of Administrative Services participated in the issuance of \$79.2 million and \$31.9 million, respectively, of COP obligations to finance the acquisition of the Ohio Administrative Knowledge System (OAKS), a statewide Enterprise Resource Planning (ERP) system. These issuances

are, in part, used for acquisition, construction, or improvement of capital assets.

Under the COP financing arrangements, the State is required to make rental payments from the Transportation Certificates of Participation Debt Service Fund, the OAKS Certificates of Participation Debt Service Fund, and the General Fund (subject to biennial appropriations) that approximate the interest and principal payments made by trustees to certificate holders.

Obligations outstanding for the primary government under COP financing arrangements, as of June 30, 2007, are presented in the following table.

**Primary Government — Governmental Activities
Certificate of Participation Obligations
As of June 30, 2007
(dollars in thousands)**

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Department of Transportation:				
Panhandle Rail Line Project.....	1992	6.5%	2012	\$ 3,730
Department of Administrative Services:				
Ohio Administrative Knowledge System (OAKS).....	2005-2007	3.5%-5.25%	2017	118,452
Total Certificates of Participation				<u>\$122,182</u>

As of June 30, 2007, the primary government's future commitments under the COP financing arrangements were as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2008	\$ 9,320	\$ 5,852	\$ 15,172
2009	9,810	5,108	14,918
2010	10,290	4,623	14,913
2011	10,815	4,105	14,920
2012	12,135	3,549	15,684
2013-2017	62,405	8,367	70,772
	114,775	31,604	146,379
Net Unamortized Premium	7,407	—	7,407
Total	<u>\$122,182</u>	<u>\$31,604</u>	<u>\$153,786</u>

For the year ended June 30, 2007, NOTE 15 summarizes changes in COP obligations.



NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

B. Component Units

For the State's component units, approximately \$27.1 million in COP obligations are reported in the component unit funds. The obligations finance building construction costs at The Ohio State University, the University of Cincinnati, and the University of Akron.

As of June 30, 2007, future commitments under the COP financing arrangements for the State's component units are detailed in the table below and on the following page.

Component Units
Future Funding Requirements for Certificate of Participation Obligations
As of June 30, 2007
(dollars in thousands)

Year Ending June 30,	Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 390	\$ 260	\$ 650	\$90	\$5	\$95
2009	405	242	647	—	—	—
2010	425	222	647	—	—	—
2011	445	202	647	—	—	—
2012	—	—	—	—	—	—
2013-2017	2,581	646	3,227	—	—	—
2018-2022	1,219	62	1,281	—	—	—
2023-2027	—	—	—	—	—	—
2028-2032	—	—	—	—	—	—
2033-2037	—	—	—	—	—	—
Total	\$5,465	\$1,634	\$7,099	\$90	\$5	\$95

Year Ending June 30,	University of Akron			Total Component Units		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 295	\$ 1,430	\$ 1,725	\$ 775	\$ 1,695	\$ 2,470
2009	315	1,410	1,725	720	1,652	2,372
2010	340	1,385	1,725	765	1,607	2,372
2011	365	1,360	1,725	810	1,562	2,372
2012	390	1,335	1,725	390	1,335	1,725
2013-2017	2,405	6,220	8,625	4,986	6,866	11,852
2018-2022	3,390	5,235	8,625	4,609	5,297	9,906
2023-2027	4,620	4,005	8,625	4,620	4,005	8,625
2028-2032	6,325	2,300	8,625	6,325	2,300	8,625
2033-2037	3,140	310	3,450	3,140	310	3,450
Total	\$21,585	\$24,990	\$46,575	\$27,140	\$26,629	\$53,769



NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2007, in addition to bonds and certificates of participation obligations discussed in NOTES 10 through 13, the State reports the following noncurrent liabilities in its financial statements (dollars in thousands):

Governmental Activities:

Compensated Absences	\$ 450,288
Capital Leases Payable	18,737
Litigation Liabilities	4,698
Estimated Claims Payable	8,776
Liability for Escheat Property	307,245
Total Governmental Activities	<u>789,744</u>

Business-Type Activities:

Compensated Absences	40,439
Capital Leases Payable	22
Workers' Compensation:	
Benefits Payable	17,412,665
Other	1,968,524
Deferred Prize Awards Payable	680,984
Tuition Benefits Payable	871,000
Workers Compensation Claims-	
Auditor of State's Office.....	120
Total Business-Type Activities	<u>20,973,754</u>
Total Primary Government.....	<u>\$21,763,498</u>

For the year ended June 30, 2007, NOTE 15 summarizes the changes in other noncurrent liabilities. Explanations of certain significant noncurrent liability balances reported in the financial statements follow.

A. Compensated Absences

For the primary government, the compensated absences liability, as of June 30, 2007, was \$490.7 million, of which \$450.3 million is allocable to governmental activities and \$40.4 million is allocable to business-type activities.

As of June 30, 2007, discretely presented major component units reported a total of \$156.8 million in compensated absences liabilities, as detailed by major component unit in NOTE 15.

B. Lease Agreements

The State's primary government leases office buildings and office and computer equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or as a liability for capital leases.

Assets acquired through capital leasing are valued at the lower of fair value or the present value of the future minimum lease payments at the lease's inception. Capital leases are used for the acquisition of capital assets.

Operating leases (leases on assets not recorded in the Statement of Net Assets) contain various renewal options as well as some purchase options.

Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

The primary government's total operating lease expenditures/expenses for fiscal year 2007 were approximately \$88.5 million.

Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 2007, were as follows (dollars in thousands):

Primary Government

Year Ending June 30,	Operating Leases
2008	\$4,432
2009	843
2010	116
2011	23
2012	4
Total minimum lease payments	<u>\$5,418</u>

Capital Leases

Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2008	\$10,582	\$11	\$10,593
2009	1,928	9	1,937
2010	1,511	3	1,514
2011	1,374	—	1,374
2012	1,290	—	1,290
2013-2017	3,534	—	3,534
Total Minimum Lease Payments	20,219	23	20,242
Amount for interest	(1,482)	(1)	(1,483)
Present Value of Net Minimum Lease Payments	<u>\$18,737</u>	<u>\$22</u>	<u>\$18,759</u>



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

As of June 30, 2007, the primary government had the following capital assets under capital leases (dollars in thousands):

	Primary Government		
	Govern- mental Activities	Business- Type Activities	Total
Equipment	\$33,556	\$21	\$33,577
Vehicles	419	—	419
Total	<u>\$33,975</u>	<u>\$21</u>	<u>\$33,996</u>

Amortization expense for the proprietary funds within the Statement of Activities is included with depreciation expense.

Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary and component unit funds.

Future minimum lease commitments for capital leases judged to be noncancelable and capital assets under capital leases for the discretely presented major component unit funds, as of June 30, 2007, are presented in the table below.

Major Component Units		
Capital Leases		
Year Ending June 30,	Ohio State University	University of Cincinnati
2008	\$ 6,307	\$ 13,724
2009	6,699	15,284
2010	5,268	15,159
2011	3,273	14,140
2012	2,296	13,711
2013-2017	2,432	62,973
2018-2022	—	55,026
2023-2027	—	42,283
2028-2032	—	20,524
2033-2037	—	3,481
Total Minimum Lease Payments...	26,275	256,305
Amount for interest	(2,131)	(96,790)
Present Value of Net Minimum Lease Payments...	<u>\$24,144</u>	<u>\$159,515</u>
Equipment & Vehicles	\$63,363	\$ —
Buildings	—	181,119
Total	<u>\$63,363</u>	<u>\$181,119</u>

C. Litigation Liabilities

In instances when the unfavorable outcome of pending litigation has been assessed to be probable, liabilities are recorded in the financial statements. As of June 30, 2007, \$4.7 million in liabilities ultimately payable from various governmental funds has been recorded for this purpose. For information on the State's loss contingencies arising from pending litigations, see NOTE 19.

D. Estimated Claims Payable

For governmental activities, the State recognized \$5.8 million in estimated claims liabilities, as of June 30, 2007, for damaged state vehicles covered under the State's self-insured program, which was established in the General Fund for this purpose at the Department of Administrative Services.

Additionally, the State reported \$2.9 million in estimated claims for defaulted loans under the Ohio Enterprise Bond Program at the Ohio Department of Development, as of June 30, 2007. The program is included in governmental activities and is accounted for in the Community and Economic Development Special Revenue Fund.

E. Liability for Escheat Property

The State records a liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2007, this liability totaled approximately \$307.2 million.

F. Worker's Compensation

Benefits Payable

As discussed in NOTE 20, the Workers' Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death. The Bureau has computed a reserve for compensation, as of June 30, 2007, in the amount of approximately \$17.41 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is included in the "Benefits Payable" balance reported for the enterprise fund.

G. Deferred Prize Awards Payable

Future installment payments for the deferred prize awards payable are reported at present value based upon interest rates that the Treasurer of State provides to the Lottery Commission Enterprise Fund. The interest rates, ranging from 4.5 to nine percent,



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

represent the expected long-term rate of return on the assets restricted for the payment of deferred prize awards. Once established for a particular deferred prize award, the interest rate does not fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method. As of June 30, 2007, this payable totals \$681 million.

Future payments of prize awards, stated at present value, as of June 30, 2007, follow (dollars in thousands):

Year Ending June 30,	
2008.....	\$ 101,955
2009.....	86,569
2010.....	69,540
2011.....	66,820
2012.....	66,743
2013-2017.....	324,637
2018-2022.....	186,820
2023-2027.....	47,599
2028-2032.....	12,157
2033-2036.....	1,283
	<u>964,123</u>
Unamortized Discount.....	(283,139)
Net Prize Liability	<u>\$ 680,984</u>

The State reduces prize liabilities by an estimate of the amount of prizes that will ultimately be unclaimed.

H. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately \$871 million, as of June 30, 2007. The valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases at state universities and state community colleges and termination of participant contracts under the plan.

The following assumptions were used in the actuarial determination of tuition benefits payable: seven percent rate of return, compounded annually, on the investment of current and future assets; a projected annual tuition increase of one percent for 2008, six percent for 2009 and 2010, and ten percent thereafter, as well as a 2.5-percent Consumer Price Index inflation rate. The effect of changes due to experience and actuarial assumption changes follow (dollars in millions):

Actuarial Deficit, as of June 30, 2006	\$(231.8)
Adjustment to Beginning of Year's Assets	(0.1)
Interest on the Deficit at 7 Percent.....	(16.2)
Investment Gain.....	59.1
Lower-Than-Assumed Tuition Increase	85.6
Change in Assumption for Future	
Tuition Growth	127.0
Interest Gain on Late Tuition Payouts.....	0.8
Other.....	<u>4.1</u>
Actuarial Surplus, as of June 30, 2007	<u>\$ 28.5</u>

As of June 30, 2007, the market value of actuarial net assets available for payment of the tuition benefits payable was \$899.5 million.

I. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately \$1.97 billion in other noncurrent liabilities, as of June 30, 2007, of which 1.) \$1.86 billion is comprised of the compensation adjustment expenses liability for estimated future expenses to be incurred in the settlement of claims, as discussed further in NOTE 20, 2.) \$87.8 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 3.) \$22.2 million consists of other miscellaneous liabilities.

Additionally, the Office of the Auditor of State Enterprise Fund reports \$120 thousand in other liabilities for estimated workers' compensation claims payable. For the payment of the claims, the General Fund transfers resources to the Office of the Auditor of State Enterprise Fund. As claims expenses are incurred, transfers from the General Fund are accrued. Accordingly, the General Fund reported an interfund payable to the Bureau of Workers' Compensation Enterprise Fund in an amount equal to the workers' compensation claims payable reported in the Office of Auditor of State Enterprise Fund, as of June 30, 2007 (See NOTE 7).



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 15 CHANGES IN NONCURRENT LIABILITIES

A. Primary Government

Changes in noncurrent liabilities, for the year ended June 30, 2007, are presented for the primary government in the following table.

Primary Government Changes in Noncurrent Liabilities For the Fiscal Year Ended June 30, 2007 <i>(dollars in thousands)</i>					
<i>Governmental Activities:</i>	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	\$ 6,893,521	\$1,223,291	\$ 533,546	\$ 7,583,266	\$ 536,546
Revenue Bonds (NOTE 11).....	720,675	304,976	213,741	811,910	98,990
Special Obligation Bonds (NOTE 12)	3,317,492	304,507	655,894	2,966,105	459,656
Total Bonds and Notes Payable	10,931,688	1,832,774	1,403,181	11,361,281	1,095,192
Certificates of Participation (NOTE 13)	90,389	33,621	1,828	122,182	9,372
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	420,673	397,317	367,702	450,288	52,518
Capital Leases Payable.....	3,366	18,942	3,571	18,737	10,441
Litigation Liabilities	—	4,698	—	4,698	—
Estimated Claims Payable.....	8,398	1,835	1,457	8,776	2,000
Liability for Escheat Property.....	255,800	120,076	68,631	307,245	105,858
Total Other Noncurrent Liabilities	688,237	542,868	441,361	789,744	170,817
Total Noncurrent Liabilities	<u>\$11,710,314</u>	<u>\$2,409,263</u>	<u>\$1,846,370</u>	<u>\$12,273,207</u>	<u>\$1,275,381</u>
<i>Business-Type Activities:</i>					
Bonds and Notes Payable:					
Revenue Bonds (NOTE 11).....	\$ 135,215	\$ 863	\$ 20,338	\$ 115,740	\$ 17,719
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences.....	34,454	36,361	30,376	40,439	3,497
Capital Leases Payable	12	21	11	22	11
Workers' Compensation:					
Unearned Revenue	372,847	47,671	420,518	—	—
Benefits Payable.....	17,250,678	1,255,813	1,093,826	17,412,665	1,868,461
Other:					
Adjustment Expenses Liability	1,676,498	1,411,205	1,229,174	1,858,529	481,510
Premium Payment Security Deposits.....	87,693	3,372	3,257	87,808	—
Miscellaneous	68,454	21,918	68,185	22,187	16,413
Deferred Prize Awards Payable.....	723,531	143,667	186,214	680,984	62,035
Tuition Benefits Payable.....	1,095,900	—	224,900	871,000	82,500
Workers' Compensation Claims-					
Auditor of State's Office	7,490	316	7,686	120	120
Total Other Noncurrent Liabilities	21,317,557	2,920,344	3,264,147	20,973,754	2,514,547
Total Noncurrent Liabilities	<u>\$21,452,772</u>	<u>\$2,921,207</u>	<u>\$3,284,485</u>	<u>\$21,089,494</u>	<u>\$2,532,266</u>



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

The State makes payments on bonds and notes payable and certificate of participation obligations that pertain to its governmental activities from the debt service funds. The General Fund and the major special revenue funds will primarily liquidate the other noncurrent liabilities balance attributable to governmental activities.

For fiscal year 2007, the State's primary government included interest expense on its debt issues in the following governmental functions rather than reporting it separately as interest expense. The related borrowings are essential to the creation or continuing existence of the programs they finance. The various state subsidy programs supported by the borrowings provide direct state assistance to local governments for their respective capital construction or research projects. None of the financing provided under these programs benefits the general operations of the primary government, and accordingly, such expense is not reported separately on the

Statement of Activities under the expense category for interest on long-term debt.

	(in 000s)
Governmental Activities:	
Primary, Secondary and Other Education	\$145,476
Higher Education Support	129,425
Environmental Protection and Natural Resources	902
Transportation	4
Community and Economic Development	124,472
Total Interest Expense	
Charged to Governmental Functions..	<u>\$400,279</u>

B. Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2007 (December 31, 2006 for the Ohio Water Development Authority), are presented in the following table for the State's discretely presented major component units.

Major Component Units
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2007
(dollars in thousands)

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amount Due Within One Year
<i>School Facilities Commission:</i>					
Intergovernmental Payable	\$2,146,013	\$ 789,727	\$ 825,421	\$2,110,319	\$1,063,903
Compensated Absences*	684	546	491	739	93
Total	<u>\$2,146,697</u>	<u>\$ 790,273</u>	<u>\$ 825,912</u>	<u>\$2,111,058</u>	<u>\$1,063,996</u>
<i>Ohio Water Development Authority:</i>					
Revenue Bonds & Notes Payable (NOTE 11).	\$2,623,417	\$ 156,398	\$ 212,865	\$2,566,950	\$ 124,719
Compensated Absences*	168	—	7	161	—
Total	<u>\$2,623,585</u>	<u>\$ 156,398</u>	<u>\$ 212,872</u>	<u>\$2,567,111</u>	<u>\$ 124,719</u>
<i>Ohio State University:</i>					
Unearned Revenue	\$ 138,904	\$2,338,863	\$2,477,767	\$ —	\$ —
Compensated Absences*	85,054	13,253	6,829	91,478	6,829
Capital Leases Payable*	15,107	16,165	7,128	24,144	5,598
Other Liabilities*	119,537	10,463	23,143	106,857	5,076
Revenue Bonds & Notes Payable (NOTE 11).	1,085,295	77,987	74,800	1,088,482	512,837
Certificates of Participation (NOTE 13)	5,825	—	360	5,465	390
Total	<u>\$1,449,722</u>	<u>\$2,456,731</u>	<u>\$2,590,027</u>	<u>\$1,316,426</u>	<u>\$ 530,730</u>
<i>University of Cincinnati:</i>					
Compensated Absences*	\$ 66,291	\$ 1,210	\$3,093	\$64,408	\$ 34,241
Capital Leases Payable*	122,140	42,700	5,325	159,515	5,790
Other Liabilities*	42,358	84,530	80,690	46,198	3,020
Revenue Bonds & Notes Payable (NOTE 11).	842,531	221,984	156,226	908,289	131,560
Certificates of Participation (NOTE 13)	180	—	90	90	90
Total	<u>\$1,073,500</u>	<u>\$ 350,424</u>	<u>\$ 245,424</u>	<u>\$1,178,500</u>	<u>\$ 174,701</u>

*Liability is reported under the "Refund and Other Liabilities" account.



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 16 NO COMMITMENT DEBT

The State of Ohio, by action of the General Assembly, created various financing authorities for the expressed purpose of making available to non-profit and, in some cases, for profit private entities lower cost sources of capital financing for facilities and projects found to be for a public purpose. Fees are assessed to recover related processing and application costs incurred.

The authorities' debt instruments represent limited obligations payable solely from payments made by the borrowing entities. Most of the bonds are secured by the property financed. Upon repayment of the bonds, ownership of acquired property transfers to the entity served by the bond issuance. This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

As of June 30, 2007 (December 31, 2006 for component units), revenue bonds and notes outstanding that represent "no commitment" debt for the State were as follows (dollars in thousands):

	Outstanding Amount
Primary Government:	
Ohio Department of Development:	
Ohio Enterprise Bond Program	\$ 171,540
Hospital Facilities Bonds	7,355
Ohio Department of Transportation:	
Akron-Canton Airport Project Bonds	6,585
Total Primary Government.....	<u>\$ 185,480</u>
Component Units (12/31/06):	
Ohio Water Development Authority	\$2,208,505
Ohio Air Quality	
Development Authority	1,300,000
Total Component Units	<u>\$3,508,505</u>

NOTE 17 FUND DEFICITS, "OTHER" RESERVES, AND DESIGNATIONS

A. Fund Deficits

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2007 (dollars in thousands):

Primary Government:

Nonmajor Governmental Funds:

Mental Health and Retardation	
Special Revenue Fund	\$ (13,505)
Coal Research/Development General	
Obligations-Debt Service Fund	(20)
Total Governmental Funds:	<u>\$ (13,525)</u>

Component Units:

School Facilities Commission Fund.....	<u>\$(1,590,233)</u>
--	----------------------

B. "Other" Fund Balance Reserves and Designations

Details on the "Reserved for Other" account reported for the governmental funds, as of June 30, 2007, are presented in the table below.

The unreserved fund balance for the General Fund, as of June, 30, 2007, has been designated for budget stabilization in the amount of \$1.01 billion.

Primary Government
Governmental Funds — Reserved for Other
As of June 30, 2007
(dollars in thousands)

	General Fund	Job, Family and Other Human Services	Education	Highway Operating	Nonmajor Govern- mental Funds	Total Govern- mental Funds
Compensated Absences	\$27,076	\$ 3,517	\$358	\$4,903	\$ 9,328	\$ 45,182
Prepays (included in "Other Assets").....	8,167	1,001	93	1,543	2,985	13,789
Advances to Local Governments.....	25,164	17,744	—	—	—	42,908
Ohio Enterprise Bond Program	—	—	—	—	10,000	10,000
Loan Guarantee Programs	1	—	—	—	11,977	11,978
Assets in Excess of						
Debt Service Requirements.....	—	—	—	—	3	3
Environmental Protection and						
Natural Resources.....	—	—	—	—	911	911
Community and Economic Development..	—	—	—	—	2,084	2,084
Total Reserved for Other.....	<u>\$60,408</u>	<u>\$22,262</u>	<u>\$451</u>	<u>\$6,446</u>	<u>\$37,288</u>	<u>\$126,855</u>



NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great Lakes Basin's ecosystem. The governors of seven of the eight states that border on the Great Lakes comprise the GLPF's membership. Under the GLPF's articles of incorporation, each state is required to make a financial contribution. Income earned on the contributions provides grants to projects that advance the goals of the Great Lakes Toxic Substances Control Agreement and the binational Great Lakes Water Quality Agreement.

Each governor nominates two individuals to the GLPF's board of directors who serve staggered two-year terms. All budgetary and financial decisions rest with the board, except when they are restricted by the GLPF's articles of incorporation.

Annually, one-third of the GLPF's net earnings is allocated and paid to member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the states' contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio applies its distribution (approximately \$440 thousand for the year ended December 31, 2006) to the operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2006 (the GLPF's year-end), are presented below (dollars in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan	\$25,000	\$25,000	30.9%
Indiana*	16,000	—	—
Illinois	15,000	15,000	18.4
Ohio	14,000	14,000	17.3
New York	12,000	12,000	14.8
Wisconsin	12,000	12,000	14.8
Minnesota	1,500	1,500	1.9
Pennsylvania	1,500	1,500	1.9
Total	<u>\$97,000</u>	<u>\$81,000</u>	<u>100.0%</u>

*The State of Indiana has not yet elected to join the Great Lakes Protection Fund.

Summary financial information for the GLPF, for the fiscal year ended December 31, 2006, was as follows (dollars in thousands):

Cash and Investments	\$135,336
Other Assets	297
Total Assets	<u>\$135,633</u>
Total Liabilities	\$ 3,429
Total Net Assets	<u>132,204</u>
Total Liabilities and Net Assets	<u>\$135,633</u>
Total Revenues and Other Additions	\$ 18,354
Total Expenditures	(6,509)
Net Increase in Net Assets	<u>\$ 11,845</u>

In the event of the Fund's dissolution, the State of Ohio would receive a residual portion of the Fund's assets equal to the lesser of the amount of such assets multiplied by the ratio of its required contribution to the required contributions of all member states, or the amount of its required contribution.

Local Community and Technical Colleges

The State's primary government has an ongoing financial responsibility for the funding of six local community colleges and eight technical colleges. With respect to the local community colleges, State of Ohio officials appoint three members of each college's respective nine-member board of trustees; county officials appoint the remaining six members.

The governing boards of the technical colleges consist of either seven or nine trustees, of which state officials appoint two and three members, respectively; the remaining members are appointed by the local school boards located in the respective technical college district.

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financially accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the Higher Education Capital Facilities general obligation bonds issued by the Ohio Public Facilities Commission (OPFC) and Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes. The bonds provide funding for capital appropriations in the Special Revenue Fund, which are available to the local community and technical colleges for spending on capital construction.



NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Fiscal year 2007 expenses that were included in the "Higher Education Support" function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented below (dollars in thousands).

	Operating Subsidies	Capital Subsidies	Total
Local Community Colleges:			
Cuyahoga	\$ 59,181	\$ 6,443	\$ 65,624
Jefferson.....	4,237	50	4,287
Lakeland.....	17,010	524	17,534
Lorain County	26,698	668	27,366
Rio Grande	5,223	—	5,223
Sinclair.....	48,228	912	49,140
Total Local Community Colleges.....	160,577	8,597	169,174
Technical Colleges:			
Belmont	5,534	504	6,038
Central Ohio	7,709	30	7,739
Hocking	16,325	1,701	18,026
James A. Rhodes.....	7,896	9	7,905
Marion	5,175	126	5,301
Zane	4,818	991	5,809
North Central	7,827	62	7,889
Stark	17,064	1,767	18,831
Total Technical Colleges.....	72,348	5,190	77,538
Total	\$232,925	\$13,787	\$246,712

Information for obtaining complete financial statements for each of the primary government's joint ventures is available from the Ohio Office of Budget and Management.

B. Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Housing Finance Agency, Ohio Turnpike Commission, the Petroleum Underground Storage Tank Release Compensation Board, the Higher Education Facility Commission, and the Ohio Legal Assistance Foundation. However, the primary government's accountability for these organizations does not extend beyond making the appointments.

During fiscal year 2007, the State had the following related-party transactions with its related organizations:

- The General Fund reports a \$212 million loans receivable balance due from the Ohio Housing Finance Agency. The State made the loans to finance and support the agency's housing programs.
- The Ohio Department of Taxation paid the Ohio Turnpike Commission \$2.5 million from the Revenue Distribution Fund for the Commission's share of the State's motor vehicle fuel excise tax allocation.
- Separate funds, established for the Ohio Housing Finance Agency, Petroleum Underground Storage Tank Release Compensation Board, and the Higher Education Facility Commission, were accounted for on the primary government's Central Accounting System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the agency funds.
- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately \$8.4 million in compensation for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies and \$1 million in state assistance.



NOTE 19 CONTINGENCIES AND COMMITMENTS

A. Litigation

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations. Pending litigation affecting the Department of Education and the Bureau of Workers' Compensation is discussed below.

Department of Education (ODE)

Litigation pending in the Hamilton County Court of Appeals contests that the Ohio Department of Education improperly and retroactively recalculated the number of district residents attending community schools during fiscal year 2005. Plaintiff Cincinnati City School District Board of Education claims this resulted in significant reductions in state funding in fiscal years 2006 and 2007. Those claims are based on statutory theories. The trial court entered summary judgment in favor of Plaintiff on November 22, 2006, and a final judgment on January 5, 2007, in an amount of \$4.7 million. A liability for \$4.7 million has been included as "Other Noncurrent Liabilities-Due in More Than One Year" account for governmental activities in the government-wide Statement of Net Assets. In briefing in the case, ODE estimated additional potential exposure of an amount between \$34.3 million and \$50.4 million, plus interest, based on the calculation at issue for fiscal years 2005, 2006, and 2007. Also, included are claims that similarly affected school districts could recover if all those districts were to successfully pursue litigation. No liability has been reported in the financial statements for this additional potential exposure.

Bureau of Workers' Compensation (BWC)

Litigation is currently pending before the Ohio Supreme Court relating to premium dividend credits that were denied to previously active participants in the BWC's retrospective rating plan (RRP) and then changed to other plans. This action was filed on behalf of all employers that paid premiums under a RRP during any year from 1995 through 2002, and any subsequent year in which premium dividend credits were granted. After three of the plaintiffs became self-insured, they continued to pay dollar-for-dollar claims costs under their continuing RRP obligations, but did not pay premiums. The premium credit was also denied to a fourth plaintiff that left the

RRP and went to a group-rated state plan. This plaintiff received credits for paid premiums during the years it was group-rated, but did not receive credit for paid claims costs. The trial court denied class certification in this case. In February 2007, the 10th District Court of Appeals affirmed the trial court's ruling for BWC. The plaintiffs have filed an appeal.

In another case, a constitutional challenge to the 2003 workers' compensation subrogation statute is pending before the Ohio Supreme Court. The 4th District Court of Appeals has found the statute to be constitutional.

A class action case has been filed alleging that the Bureau of Workers' Compensation /Industrial Commission (BWC/IC) identifies permanent total disability (PTD) recipients not represented by counsel and encourages them to settle their PTD claims for substantially less than their actuarial present value. The plaintiffs contend that BWC refused to conduct good-faith settlement negotiations with PTD recipients represented by counsel. The trial court denied BWC's motion to dismiss and/or change of venue, and granted class certification. The 8th District Court of Appeals has issued a ruling affirming the trial court's rulings. BWC has appealed to the Ohio Supreme Court.

Additionally, BWC/IC is involved in litigation challenging policies related to lump sum advancements made to PTD recipients. This action alleges that BWC/IC has improperly recouped monies from PTD recipients by continuing to deduct monies from the plaintiff's benefits in an amount greater than the advance plus interest.

The ultimate outcome of the litigation related to BWC discussed to this point can not be presently determined. Accordingly, no provision for any liability has been reported in the financial statements. Management is vigorously defending the cases outlined above.

All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the State's financial position



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

B. Federal Awards

The State of Ohio receives significant awards from the federal government in the form of grants and entitlements, including certain non-cash programs. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the spending of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit or to financial compliance audits by the grantor agencies of the federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities to the State.

As a result of the fiscal year 2006 State of Ohio Single Audit (issued in July 2007), \$36 million of federal expenditures were in question as not being appropriate under the terms of the respective grants. No provision for any liability or adjustments has been recognized for the questioned costs in the State's financial statements, for the fiscal year ended June 30, 2007.

C. Tax Refund Claims

As of June 30, 2007, corporate franchise tax refund claims estimated in the amount of \$11 million were pending an official determination of the Tax Commissioner at the Ohio Department of Taxation. The claims arose from refund claims taxpayers filed for tax periods occurring in prior years. A liability has been reported in the financial statements for this matter under the "Refunds and Other Liabilities" account.

D. Loan Commitments

As of June 30, 2007, commitments to finance program loans from the primary government's budgeted nonmajor special revenue funds are detailed below (dollars in thousands):

Community and Economic Development

Ohio Department of Development:	
Low- & Moderate-Income	
Housing Loans	\$10,320
Brownfield Revolving Loans.....	3,062
	<u>13,382</u>

*Local Infrastructure and
Transportation Improvements*

Ohio Public Works Commission:	
State Capital Improvements Loans	25,449
Revolving Loans	28,174
	<u>53,623</u>
Total Nonmajor Governmental Funds	<u>\$67,005</u>

As of December 31, 2006, loan commitments for the Ohio Water Development Authority, a discretely presented major component unit, were as follows (dollars in thousands):

Water Pollution Control Loan	\$641,402
Drinking Water Assistance	88,550
Fresh Water	65,102
Other Projects	14,801
Community Assistance.....	14,912
Rural Utility Services	8,525
Pure Water Refunding.....	253
Total	<u>\$833,545</u>

The Authority intends to meet these commitments using available funds and grant commitments from the U.S. Environmental Protection Agency.

E. Construction Commitments

As of June 30, 2007, the Ohio Department of Transportation had total contractual commitments of approximately \$2.14 billion for highway construction projects. Funding for future projects is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in amounts of \$1.05 billion, \$411.4 million, \$610.7 million, and \$72.7 million, respectively.

As of June 30, 2007, other major non-highway construction commitments for the primary government's budgeted capital projects funds and major discretely presented component unit funds were as follows (dollars in thousands):

Primary Government

Mental Health/Mental Retardation	
Facilities Improvements.....	\$ 18,445
Parks and Recreation Improvements	9,295
Administrative Services	
Building Improvements	19,169
Youth Services Building Improvements.....	7,759
Adult Correctional Building Improvements ..	25,506
Highway Safety Building Improvements	492
Ohio Parks and Natural Resources.....	11,352
Total.....	<u>\$ 92,018</u>

Major Component Units

Ohio State University	\$255,620
University of Cincinnati.....	299,883



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

F. Tobacco Settlement

In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers. This signaled the end of litigation brought by the Attorneys General against the manufacturers in 1996 for state health care expenses attributed to smoking-related claims. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

According to the MSA, participating tobacco manufacturers are required to adhere to a variety of new marketing and lobbying restrictions and provide payments to the states in perpetuity.

While Ohio's share of the total base payments to the states through 2025 will not change over time, estimating the amount of annual payments that actually will be received in any given year can be complex, since under the terms of the MSA, payments are subject to a number of adjustment factors, including an inflation adjustment, a volume adjustment, and a potential adjustment for market share losses of participating manufacturers. Some of these adjustments, such as the inflation adjustment, result in the State receiving higher payments. Other factors, such as the volume adjustment and the market share adjustment can work to reduce the amount of the State's annual payments.

In addition to the base payments, Ohio will receive payments from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the fund are based on a state's contribution to the litigation and settlement with the tobacco companies. These payments are also subject to the adjustment factors outlined in the MSA.

During fiscal year 2007, Ohio received \$308.5 million, which is approximately \$44.3 million or 12.6 percent less than the pre-adjusted base payment for the year. For the last eight fiscal years, with fiscal year 2000 being the first year when base payments were made to the states under the settlement, the State has received a total of about \$2.71 billion,

which is approximately \$334.4 million or 11 percent less than the total of the pre-adjusted base payments.

As of June 30, 2007, the estimated tobacco settlement receivable in the amount of \$253.3 million is included in "Other Receivables" reported for the governmental funds. The receivable includes \$77.6 million for payments withheld from the State in fiscal years 2006 and 2007 by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. These moneys are on deposit in an escrow account until pending litigation between the State and the manufacturers is resolved. The State contends it has met its obligations under the MSA and is due the payments withheld.

The moneys provide funding for the construction of primary and secondary school capital facilities, education technology for primary and secondary education and for higher education, programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to tobacco-growing areas in Ohio.

A schedule of pre-adjusted base payments and payments from the Strategic Contribution Fund for the State of Ohio in future years follows (dollars in thousands):

Year Ending June 30,	Pre-adjusted MSA Base Payments	Pre-Adjusted Payments From the Strategic Contribution Fund	Total
2008.....	\$ 359,829	\$ 23,950	\$ 383,779
2009.....	359,829	23,950	383,779
2010.....	359,829	23,950	383,779
2011.....	359,829	23,950	383,779
2012.....	359,829	23,950	383,779
2013-2017 ..	1,799,146	119,750	1,918,896
2018-2022 ..	2,016,011	—	2,016,011
2023-2025 ..	1,209,607	—	1,209,607
Total.....	<u>\$6,823,909</u>	<u>\$239,500</u>	<u>\$7,063,409</u>

As of October 23, 2007, the State transferred future rights to the Master Settlement Agreement revenue to the Buckeye Tobacco Settlement Financing Authority. (See NOTE 21).



NOTE 20 RISK FINANCING

A. Workers' Compensation Benefits

The Ohio Workers' Compensation System, which the Bureau of Workers' Compensation and the Industrial Commission administer, is the exclusive provider of workers' compensation insurance to private and public employers in Ohio who are not self-insured. The Workers' Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death.

The "Benefits Payable" account balance reported in the Workers' Compensation Enterprise Fund, as of June 30, 2007, in the amount of approximately \$17.41 billion includes reserves for indemnity and medical claims resulting from work-related injuries or illnesses, including actuarial estimates for both reported claims and claims incurred but not reported. The liability is based on the estimated ultimate cost of settling claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claims reserves. The compensation adjustment expenses liability, which is included in "Other Liabilities" in the amount of approximately \$1.87 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, nonincremental adjustment expense, and the reserve for compensation.

Management of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for

compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.

Benefits payable and the compensation adjustment expenses liability have been discounted at five percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund's reserves. The undiscounted reserves for the benefits and compensation adjustment expenses totaled \$37 billion, as of June 30, 2007, and \$37.7 billion, as of June 30, 2006. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2007.

Changes in the balance of benefits payable and the compensation adjustment expenses liability for the Workers' Compensation Program during the past two fiscal years are presented in the table below.

B. State Employee Healthcare Plans

Employees of the primary government have the option of participating in the Ohio Med Health Plan, the United Healthcare Plan, or the Aetna Plan, which are fully self-insured health benefit plans.

Ohio Med, a preferred provider organization, was established July 1, 1989. Medical Mutual of Ohio administers the Ohio Med plan under a claims administration contract with the primary government.

**Primary Government
Changes in Workers' Compensation Benefits Payable
and Compensation Adjustment Expenses Liability
Last Two Fiscal Years**
(dollars in millions)

	Fiscal Year 2007	Fiscal Year 2006
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	\$18,927	\$19,299
Incurred Compensation and Compensation Adjustment Benefits.....	2,667	1,934
Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments.....	(2,323)	(2,306)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	<u>\$19,271</u>	<u>\$18,927</u>



NOTE 20 RISK FINANCING (Continued)

The United Healthcare and the Aetna plans, originally health maintenance organizations, became self-insured healthcare plans of the State on July 1, 2002 and July 1, 2005, respectively.

All plans have contracts with the primary government to serve as claims administrator. Benefits offered while under the State's administration are essentially the same as the benefits offered before the two plans became self-insured arrangements.

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, the primary government reports liabilities for the governmental and proprietary funds. Liabilities include an amount for claims that have been incurred but not reported. The plans' actuaries calculate estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

Governmental and proprietary funds pay a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. The payments are reported in the Payroll Withholding and Fringe Benefits Agency Fund until such time that the primary government pays the accumulated resources to Medical Mutual of Ohio, United Healthcare, or Aetna for claims settlement.

For governmental funds, the primary government recognizes claims as expenditures to the extent that the amounts are payable with expendable available financial resources. For governmental and business-type activities, claims are recognized in the Statement of Activities as expenses when incurred.

As of June 30, 2007, approximately \$142.7 million in total assets was available in the Payroll Withholding and Fringe Benefits Agency Fund to cover claims for the Ohio Med Health Plan. Changes in the balance of claims liabilities for the plan during the past two fiscal years were as follows (dollars in thousands):

Ohio Med Health Plan

	Fiscal Year 2007	Fiscal Year 2006
Claims Liabilities, as of July 1	\$ 35,662	\$ 41,492
Incurred Claims	205,041	212,466
Claims Payments	(207,538)	(218,296)
Claims Liabilities, as of June 30.	<u>\$ 33,165</u>	<u>\$ 35,662</u>

As of June 30, 2007, the resources on deposit in the Agency Fund for the Ohio Med Health Plan exceeded the estimated claims liability by approximately \$109.5 million, thereby resulting in a funding surplus. Eighty-five percent or \$93.1 million of the surplus, representing the employer share, was reallocated back to the governmental and proprietary

funds, with a resulting reduction in expenditures/expenses.

As of June 30, 2007, no assets were available in the Payroll Withholding and Fringe Benefits Agency Fund to cover claims incurred by June 30 for the United Healthcare Plan, thereby resulting in a funding deficit. Changes in the balance of claims liabilities for the plan during the past fiscal year were as follows (dollars in thousands):

United Healthcare Plan

	Fiscal Year 2007	Fiscal Year 2006
Claims Liabilities, as of July 1	\$ 7,685	\$ 6,969
Incurred Claims	69,556	54,088
Claims Payments	(68,231)	(53,372)
Claims Liabilities, as of June 30.	<u>\$ 9,010</u>	<u>\$ 7,685</u>

As of June 30, 2007, the estimated claims liability exceeded resources on deposit in the Agency Fund for the United Healthcare Plan by approximately \$16.6 million, thereby resulting in a funding deficit. Eighty-five percent or \$14.1 million of the deficit, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting increase to expenditures/expenses.

As of June 30, 2007, approximately \$32.1 million in total assets was available in the Payroll Withholding and Fringe Benefits Agency Fund to cover claims incurred by June 30 for the Aetna Plan, thereby resulting in a funding surplus. Changes in the balance of claims liabilities for the plan during the past fiscal year were as follows (dollars in thousands):

Aetna Plan

	Fiscal Year 2007	Fiscal Year 2006
Claims Liabilities, as of July 1	\$ 8,194	\$ —
Incurred Claims	66,294	49,806
Claims Payments	(64,918)	(41,612)
Claims Liabilities, as of June 30.	<u>\$ 9,570</u>	<u>\$ 8,194</u>

As of June 30, 2007, the resources on deposit in the Agency Fund for the Aetna Plan exceeded the estimated claims liability by approximately \$22.5 million, thereby resulting in a funding surplus. Eighty-five percent or \$19.1 million of the surplus, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting reduction in expenditures/expenses.

C. Other Risk Financing Programs

The primary government has established programs to advance fund potential losses for vehicular liability and theft in office. The potential amount of loss arising from these risks, however, is not considered material in relation to the State's financial position.



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 21 SUBSEQUENT EVENTS

A. Bond Issuances

Subsequent to June 30, 2007 (December 31, 2006, for the Ohio Water Development Authority), the State issued major debt as detailed in the table below.

Debt Issuances Subsequent to June 30, 2007 <i>(dollars in thousands)</i>			
	Date Issued	Net Interest Rate or True Interest Cost	Amount
Primary Government:			
<i>Ohio Public Facilities Commission-General Obligation Bonds:</i>			
Infrastructure Improvements, Series 2007A	09/05/07	4.42%	\$ 120,000
Coal Development, Series I	09/05/07	3.93%	8,000
Total General Obligation Bonds			128,000
<i>Treasurer of State-Revenue Bonds:</i>			
State Infrastructure Bank, Series 2007-1	11/07/07	3.88%	210,000
Total Revenue Bonds			210,000
<i>Treasurer of State-Special Obligation Bonds:</i>			
Parks and Recreation Facilities, Series II-2007A	11/01/07	3.86%	30,000
<i>Ohio Building Authority-Special Obligation Bonds</i>			
State Facilities (Administrative Building), Series 2008A	2/27/08	4.45%	25,000
State Facilities (Adult Correctional Facility), Series 2008A	2/27/08	4.46%	25,000
Total Special Obligation Bonds			80,000
<i>Buckeye Tobacco Settlement Financing Authority-Asset-Backed Bonds:</i>			
Tobacco Settlement-Asset-Backed, Series 2007-1	10/23/07	5.29%	5,531,595
Total Asset-Backed Bonds			5,531,595
<i>Ohio Department of Administrative Services</i>			
<i>Certificates of Participation:</i>			
Ohio Administrative Knowledge System, Series 2008A	3/5/08/08	3.88%	35,025
Total Certificates of Participation			35,025
Total Primary Government			<u>\$5,984,620</u>
Major Component Units:			
<i>Ohio Water Development Authority Debt:</i>			
2007 Community Assistance-Auction Rate Securities	7/26/07	Variable	\$ 24,550
2007 Fresh Water Commercial Paper (Maturity Dates: \$12.5 million on 1/9/08 & \$12.5 million on 1/10/08)	10/17/07	3.52%	25,000
2008 Fresh Water Commercial Paper Series A (Maturity Date: 3/12/08)	1/9/08	2.70%	12,500
2008 Fresh Water Commercial Paper Series A (Maturity Date: 3/12/08)	1/10/08	2.70%	12,500
2008 Fresh Water Commercial Paper Series B (Expected Maturity Date: July or August 2008)	3/12/08	3.0% - 3.5%	40,000
Total Commercial Paper			90,000
Total Ohio Water Development Authority			<u>\$ 114,550</u>
<i>University of Cincinnati Bonds:</i>			
Bond Anticipation Notes, Series 2007E	7/2/07	3.75%	\$ 40,468
Bond Anticipation Notes, Series 2007F (Retired 12/21/07)	9/12/07	3.73%	32,810
Bond Anticipation Notes, Series 2008A	1/14/08	2.73%	30,000
Total Bond Anticipation Notes			103,278
Bonds, Series 2007G	12/11/07	3.75% - 5.00%	89,170
Total University of Cincinnati			<u>\$ 192,448</u>



NOTE 21 SUBSEQUENT EVENTS (Continued)

B. Bureau of Workers' Compensation

Litigation between the Hospital Association and BWC was decided in March 2007. Although the court did not award any monetary damages, it determined BWC improperly reduced reimbursement payments to hospitals and BWC will be required to increase its future hospital reimbursements, beginning in the second half of fiscal year 2008. BWC is projecting an increase of \$80 million for hospital reimbursements reported for the quarter ending June 2008.

C. Department of Youth Services

The *S. H. v. Strickrath* (S. D. Ohio, 2008) case, involving the Department of Youth Services (DYS), was settled in April 2008. As a result of the settlement, DHS will implement remedial measures for mental health care, education, and other programs. The settlement also requires structural changes to DHS facilities to address the other issues raised by the litigation. In order to implement these remedial measures, it is projected that DHS will be required to expend an amount between \$20 million and \$30 million, along with additional attorneys' fees and costs, beginning July 2008.

**D. Buckeye Tobacco Settlement
Financing Authority**

House Bill 119, effective June 30, 2007, created the Buckeye Tobacco Settlement Financing Authority ("Authority") for the sole purpose of purchasing and receiving any assignment of tobacco settlement receipts pursuant to the Tobacco Master Settlement Agreement and issuing obligations to provide financing of essential State functions and facilities. The Authority reported no financial activity prior to entering into a *Purchase and Sale Agreement*, dated October 1, 2007, between the State and the Authority, wherein the State agreed to sell its interest in the tobacco settlement receipts (2007 Sold Tobacco Receipts) to the Authority. On October 23, 2007, the Authority issued asset-backed bonds of \$5.5 billion, primarily to finance the Authority's purchase of the 2007 Sold Tobacco Receipts from the State.

REQUIRED SUPPLEMENTARY INFORMATION



Infrastructure Assets Accounted for Using the Modified Approach

Pavement Network

The Ohio Department of Transportation conducts annual condition assessments of its Pavement Network. The State manages its pavement system by means of annual, visual inspections by trained pavement technicians. Technicians rate the pavement using a scale of 1 (minimum) to 100 (maximum) based on a Pavement Condition Rating (PCR). This rating examines items such as cracking, potholes, deterioration of the pavement, and other factors. It does not include a detailed analysis of the pavement's subsurface conditions.

For the Priority Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 65, and to allow no more than 25 percent of the pavement to fall below a 65 PCR level. For the General Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 55, and to allow no more than 25 percent of the pavement to fall below a 55 PCR level.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate highways, freeways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities.

Pavement Network Condition Assessment Data

Priority Subsystem

Calendar Year	Pavement Condition Ratings (PCR)								Total	
	Excellent PCR = 85-100		Good PCR = 75-84		Fair PCR = 65-74		Poor PCR = Below 65			
	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%
2006	8,918	70.47	1,940	15.33	1,400	11.07	397	3.13	12,655	100.00
2005	8,581	68.65	1,962	15.69	1,505	12.04	452	3.62	12,500	100.00
2004	8,110	65.64	2,140	17.32	1,544	12.50	561	4.54	12,355	100.00
2003	7,679	62.81	2,451	20.05	1,618	13.24	477	3.90	12,225	100.00
2002	7,483	61.29	2,498	20.46	1,849	15.14	380	3.11	12,210	100.00

General Subsystem

Calendar Year	Pavement Condition Ratings (PCR)								Total	
	Excellent PCR = 85-100		Good PCR = 75-84		Fair PCR = 55-74		Poor PCR = Below 55			
	Lane- Miles	%	Lane- Miles	%	Lane- Miles	%	Lane- Miles	%		
2006	14,757	49.00	6,650	22.08	8,249	27.39	462	1.53	30,118	100.00
2005	13,623	45.16	6,813	22.58	9,161	30.37	571	1.89	30,168	100.00
2004	13,570	44.92	6,550	21.68	9,423	31.20	664	2.20	30,207	100.00
2003	12,634	41.77	6,378	21.09	10,910	36.07	324	1.07	30,246	100.00
2002	11,997	39.57	6,496	21.43	11,278	37.20	546	1.80	30,317	100.00



Infrastructure Assets Accounted for Using the Modified Approach (Continued)

Pavement Network
Comparison of Estimated-to-Actual Maintenance and Preservation Costs
(dollars in thousands)

Priority Subsystem

Fiscal Year	Estimated	Actual
2007	\$403,067	\$418,936
2006	376,588	410,049
2005	337,213	350,368
2004	195,333	273,318
2003	243,722	273,834

General Subsystem

Fiscal Year	Estimated	Actual
2007	\$196,814	\$268,839
2006	214,826	312,105
2005	197,716	292,303
2004	133,236	227,437
2003	135,149	209,530

Bridge Network

The Ohio Department of Transportation conducts annual inspections of all bridges in the State's Bridge Network. The inspections cover major structural items such as piers and abutments, and assign a General Appraisal Condition Rating (GACR) from 0 (minimum) to nine (maximum) based on a composite measure of these major structural items.

It is the State's intention to maintain at least 85 percent of the square feet of deck area at a general appraisal condition rating level of at least five, and to allow no more than 15 percent of the number of square feet of deck area to fall below a general appraisal condition rating level of five.

Bridge Network
Condition Assessment Data
(square feet in thousands)

Calendar Year	General Appraisal Condition Ratings (GACR)								Total	
	Excellent GACR = 7-9		Good GACR = 5-6		Fair GACR = 3-4		Poor GACR = 0-2			
	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%		
2006	43,942	52.03	38,104	45.12	2,396	2.84	5	.01	84,447	100.00
2005	46,071	55.21	35,091	42.05	2,274	2.73	7	.01	83,443	100.00
2004	45,895	55.50	34,459	41.68	2,317	2.80	13	.02	82,684	100.00
2003	47,046	57.19	32,972	40.08	2,224	2.71	18	.02	82,260	100.00
2002	45,144	56.01	33,067	41.02	2,388	2.96	9	.01	80,608	100.00

**Infrastructure Assets Accounted for Using the Modified Approach (Continued)**

Bridge Network
Comparison of Estimated-to-Actual Maintenance and Preservation Costs
(dollars in thousands)

Fiscal Year	Estimated	Actual
2007	\$290,732	\$313,272
2006	246,095	262,027
2005	241,670	231,864
2004	147,779	208,381
2003	180,358	229,077

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Debt Service Funds

The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Capital Projects Funds

The Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007
(dollars in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS
ASSETS:			
Cash Equity with Treasurer	\$ 2,222,128	\$ 10,968	\$ 427,187
Cash and Cash Equivalents	81,127	2,835	—
Investments	329,736	26,214	36,461
Collateral on Lent Securities	1,247,490	6,155	239,719
Taxes Receivable	6,599	—	—
Intergovernmental Receivable	299,389	—	—
Loans Receivable, Net	655,118	—	—
Interfund Receivable	3,995	655	—
Other Receivables	289,112	7	160
Other Assets	14,894	22	—
TOTAL ASSETS	\$ 5,149,588	\$ 46,856	\$ 703,527
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 182,812	\$ 371	\$ 63,852
Accrued Liabilities	48,289	28	—
Medicaid Claims Payable	132,751	—	—
Obligations Under Securities Lending	1,247,490	6,155	239,719
Intergovernmental Payable	178,756	—	—
Interfund Payable	123,609	290	655
Payable to Component Units	16,628	35	—
Deferred Revenue	358,083	—	—
Unearned Revenue	28,786	—	—
Refund and Other Liabilities	—	2,484	—
TOTAL LIABILITIES	2,317,204	9,363	304,226
FUND BALANCES:			
Reserved for:			
Debt Service	—	37,510	—
Encumbrances	1,307,868	—	640,277
Noncurrent Portion of Loans Receivable	650,750	—	—
Loan Commitments	67,005	—	—
Federal Programs	24,601	—	—
Other:			
Prepays	2,985	—	—
Ohio Enterprise Bond Program	10,000	—	—
Loan Guarantee Programs	11,977	—	—
Environmental Protection and Natural Resources	911	—	—
Community and Economic Development	2,084	—	—
Assets in Excess of Debt Service Requirements	—	3	—
Compensated Absences	9,328	—	—
Unreserved/Undesignated	744,875	(20)	(240,976)
TOTAL FUND BALANCES	2,832,384	37,493	399,301
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 5,149,588	\$ 46,856	\$ 703,527

TOTAL

\$ 2,660,283
83,962
392,411
1,493,364
6,599
299,389
655,118
4,650
289,279
14,916
\$ 5,899,971

\$ 247,035
48,317
132,751
1,493,364
178,756
124,554
16,663
358,083
28,786
2,484
2,630,793

37,510
1,948,145
650,750
67,005
24,601

2,985
10,000
11,977
911
2,084
3
9,328
503,879

3,269,178

\$ 5,899,971

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>
REVENUES:			
Income Taxes	\$ 8,299	\$ —	\$ —
Sales Taxes	21,918	—	—
Corporate and Public Utility Taxes	1,688	—	—
Motor Vehicle Fuel Taxes	24,204	—	—
Other Taxes	42,030	—	—
Licenses, Permits and Fees	1,041,691	—	—
Sales, Services and Charges	26,628	—	154
Federal Government	2,009,569	—	—
Tobacco Settlement	308,488	—	—
Investment Income	104,327	8,642	19,385
Other	309,992	1,244	533
TOTAL REVENUES	<u>3,898,834</u>	<u>9,886</u>	<u>20,072</u>
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	292,940	—	—
Higher Education Support	188,224	—	—
Public Assistance and Medicaid	71,003	—	—
Health and Human Services	1,683,010	—	—
Justice and Public Protection	636,856	—	—
Environmental Protection and Natural Resources	325,537	—	—
Transportation	776	—	—
General Government	213,153	—	—
Community and Economic Development	972,843	—	—
CAPITAL OUTLAY	16,255	—	434,798
DEBT SERVICE	49	1,592,460	—
TOTAL EXPENDITURES	<u>4,400,646</u>	<u>1,592,460</u>	<u>434,798</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(501,812)</u>	<u>(1,582,574)</u>	<u>(414,726)</u>
OTHER FINANCING SOURCES (USES):			
Bonds and Certificates of Participation Issued	430,453	5,681	521,696
Refunding Bonds Issued	—	259,205	—
Payment to Refunded Bond Escrow Agents	—	(279,651)	—
Premiums	1,113	82,919	3,846
Capital Leases	8,943	—	—
Transfers-in	172,833	1,517,801	—
Transfers-out	(90,782)	—	—
TOTAL OTHER FINANCING SOURCES (USES)	<u>522,560</u>	<u>1,585,955</u>	<u>525,542</u>
NET CHANGE IN FUND BALANCES	20,748	3,381	110,816
FUND BALANCES, JULY 1	<u>2,811,636</u>	<u>34,112</u>	<u>288,485</u>
FUND BALANCES, JUNE 30	<u>\$ 2,832,384</u>	<u>\$ 37,493</u>	<u>\$ 399,301</u>

TOTAL

\$ 8,299
21,918
1,688
24,204
42,030
1,041,691
26,782
2,009,569
308,488
132,354
311,769
3,928,792

292,940
188,224
71,003
1,683,010
636,856
325,537
776
213,153
972,843
451,053
1,592,509
6,427,904

(2,499,112)

957,830
259,205
(279,651)
87,878
8,943
1,690,634
(90,782)
2,634,057

134,945

3,134,233

\$ 3,269,178

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NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

The **Community and Economic Development Fund** accounts for programs administered by the Department of Development and other various state agencies, which were created to assure the efficient use of resources for the State's community and economic growth and development.

The **Health Fund** accounts for public health programs primarily administered by the Department of Health, which promotes the prevention and treatment of diseases and illnesses through technical assistance, health education, and research.

The **Mental Health and Retardation Fund** accounts for mental health care and retardation programs primarily administered by the Department of Mental Health and the Department of Mental Retardation and Developmental Disabilities, which provide assistance, services, and medical care to those individuals with mental health and developmental disability problems.

The **Highway Safety Fund** accounts for public safety programs primarily administered by the Department of Public Safety, which enforces traffic-related laws for the purpose of reducing accidents, deaths, injuries, and property damages on Ohio's highways.

The **Natural Resources Fund** accounts for environmental programs administered by the Department of Natural Resources, the Environmental Protection Agency, and other various state agencies, which promote, protect, and manage the State's natural resources and environment.

The **Wildlife and Waterways Safety Fund** accounts for programs administered by the Department of Natural Resources' Divisions of Wildlife and Watercraft, which promote, protect, and manage the State's wildlife and waterways and which provide technical assistance and education to the public.

The **Local Infrastructure and Transportation Improvements Fund** accounts for the Local Transportation Improvement Program administered by the Ohio Public Works Commission, which provides grants and loans to local governments for highway, road, and bridge construction.

The **Tobacco Settlement Fund** accounts for various health, education, economic, and law enforcement-related programs funded with moneys received under the Master Settlement Agreement with the nation's largest tobacco companies.

The **Clean Ohio Program Fund** accounts for programs that assist local communities in the clean-up and redevelopment of brownfield sites, the protection of green space, the preservation of farmland, the improvement of water quality, and the expansion of Ohio's network of recreational trails and greenways.

The **Higher Education Improvements Fund** accounts for bond proceeds that finance the construction of facilities for state-assisted higher education institutions.

The **Help America Vote Act (HAVA) Fund** accounts for federal funds received for the purchase and deployment of HAVA-certified voting systems in Ohio, as provided in the HAVA Act of 2002.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007
(dollars in thousands)

	<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>	<u>HEALTH</u>	<u>MENTAL HEALTH AND RETARDATION</u>
ASSETS:			
Cash Equity with Treasurer	\$ 832,222	\$ 77,014	\$ 142,884
Cash and Cash Equivalents	70,082	119	—
Investments	4,808	—	—
Collateral on Lent Securities	467,007	43,217	80,180
Taxes Receivable	1,905	—	—
Intergovernmental Receivable	27,671	41,789	226,699
Loans Receivable, Net	338,270	—	—
Interfund Receivable	2,855	2	19
Other Receivables	111	14,302	224
Other Assets	961	12,008	385
TOTAL ASSETS	\$ 1,745,892	\$ 188,451	\$ 450,391
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 30,793	\$ 27,598	\$ 5,586
Accrued Liabilities	10,468	4,830	6,296
Medicaid Claims Payable	—	—	132,751
Obligations Under Securities Lending	467,007	43,217	80,180
Intergovernmental Payable	18,273	32,588	97,737
Interfund Payable	14,182	3,622	65,143
Payable to Component Units	131	979	389
Deferred Revenue	2,215	15,163	75,795
Unearned Revenue	20,437	—	19
TOTAL LIABILITIES	563,506	127,997	463,896
FUND BALANCES:			
Reserved for:			
Encumbrances	778,241	15,793	164,054
Noncurrent Portion of Loans Receivable	331,973	—	—
Loan Commitments	13,382	—	—
Federal Programs	9,312	861	336
Other:			
Prepays	824	236	385
Ohio Enterprise Bond Program	10,000	—	—
Loan Guarantee Programs	11,977	—	—
Environmental Protection and Natural Resources	—	—	—
Community and Economic Development	—	—	—
Compensated Absences	2,087	853	1,208
Unreserved/Undesignated	24,590	42,711	(179,488)
TOTAL FUND BALANCES (DEFICITS)	1,182,386	60,454	(13,505)
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 1,745,892	\$ 188,451	\$ 450,391

<u>HIGHWAY SAFETY</u>	<u>NATURAL RESOURCES</u>	<u>WILDLIFE AND WATERWAYS SAFETY</u>	<u>LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS</u>	<u>TOBACCO SETTLEMENT</u>	<u>CLEAN OHIO PROGRAM</u>
\$ 289,975	\$ 183,602	\$ 67,125	\$ 223,972	\$ 178,662	\$ 97,715
4,231	558	11	—	6,126	—
—	—	—	—	324,928	—
162,951	103,029	37,668	125,683	100,557	54,833
—	2,227	2,467	—	—	—
3,230	—	—	—	—	—
—	30	—	316,818	—	—
1,013	55	51	—	—	—
2,785	14,204	664	—	256,822	—
1,015	339	162	2	19	2
<u>\$ 465,200</u>	<u>\$ 304,044</u>	<u>\$ 108,148</u>	<u>\$ 666,475</u>	<u>\$ 867,114</u>	<u>\$ 152,550</u>
\$ 9,277	\$ 8,195	\$ 2,879	\$ 7,727	\$ 72,085	\$ 6,485
16,761	6,816	2,745	55	281	15
—	—	—	—	—	—
162,951	103,029	37,668	125,683	100,557	54,833
29	568	—	5,356	20,909	3,296
28,055	4,522	7,932	—	122	23
63	109	322	5	244	—
1,857	8,606	—	—	254,447	—
—	429	—	—	—	—
<u>218,993</u>	<u>132,274</u>	<u>51,546</u>	<u>138,826</u>	<u>448,645</u>	<u>64,652</u>
17,226	39,833	14,271	6	10,728	82,213
—	—	—	318,777	—	—
—	—	—	53,623	—	—
—	11,404	—	—	—	2,688
1,015	339	162	2	19	2
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	911
3,273	1,269	529	11	88	2,084
224,693	118,925	41,640	155,230	407,634	6
246,207	171,770	56,602	527,649	418,469	(6)
<u>\$ 465,200</u>	<u>\$ 304,044</u>	<u>\$ 108,148</u>	<u>\$ 666,475</u>	<u>\$ 867,114</u>	<u>\$ 152,550</u>

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007
(dollars in thousands)
(continued)

	HIGHER EDUCATION IMPROVEMENTS	HELP AMERICA VOTE ACT	TOTAL
ASSETS:			
Cash Equity with Treasurer	\$ 121,024	\$ 7,933	\$ 2,222,128
Cash and Cash Equivalents	—	—	81,127
Investments	—	—	329,736
Collateral on Lent Securities	67,913	4,452	1,247,490
Taxes Receivable	—	—	6,599
Intergovernmental Receivable	—	—	299,389
Loans Receivable, Net	—	—	655,118
Interfund Receivable	—	—	3,995
Other Receivables	—	—	289,112
Other Assets	—	1	14,894
TOTAL ASSETS	\$ 188,937	\$ 12,386	\$ 5,149,588
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 12,187	\$ —	\$ 182,812
Accrued Liabilities	—	22	48,289
Medicaid Claims Payable	—	—	132,751
Obligations Under Securities Lending	67,913	4,452	1,247,490
Intergovernmental Payable	—	—	178,756
Interfund Payable	—	8	123,609
Payable to Component Units	14,386	—	16,628
Deferred Revenue	—	—	358,083
Unearned Revenue	—	7,901	28,786
TOTAL LIABILITIES	94,486	12,383	2,317,204
FUND BALANCES:			
Reserved for:			
Encumbrances	185,456	47	1,307,868
Noncurrent Portion of Loans Receivable	—	—	650,750
Loan Commitments	—	—	67,005
Federal Programs	—	—	24,601
Other:			
Prepays	—	1	2,985
Ohio Enterprise Bond Program	—	—	10,000
Loan Guarantee Programs	—	—	11,977
Environmental Protection and Natural Resources	—	—	911
Community and Economic Development	—	—	2,084
Compensated Absences	—	4	9,328
Unreserved/Undesignated	(91,005)	(49)	744,875
TOTAL FUND BALANCES (DEFICITS)	94,451	3	2,832,384
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 188,937	\$ 12,386	\$ 5,149,588

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STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

	COMMUNITY AND ECONOMIC DEVELOPMENT	HEALTH	MENTAL HEALTH AND RETARDATION
REVENUES:			
Income Taxes	\$ 8,299	\$ —	\$ —
Sales Taxes	21,918	—	—
Corporate and Public Utility Taxes	1,063	—	—
Motor Vehicle Fuel Taxes	6,162	—	—
Other Taxes	34,461	—	—
Licenses, Permits and Fees	525,405	27,711	3
Sales, Services and Charges	9,340	14	24
Federal Government	472,775	491,344	940,100
Tobacco Settlement	—	—	—
Investment Income	20,540	362	—
Other	44,523	27,219	162,663
TOTAL REVENUES	1,144,486	546,650	1,102,790
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	1,234	—	—
Higher Education Support	—	—	—
Public Assistance and Medicaid	—	—	3
Health and Human Services	—	550,051	1,077,565
Justice and Public Protection	211,317	—	—
Environmental Protection and Natural Resources	396	—	—
Transportation	776	—	—
General Government	192,845	293	—
Community and Economic Development	682,316	2,445	—
CAPITAL OUTLAY	11,646	—	—
DEBT SERVICE	22	—	—
TOTAL EXPENDITURES	1,100,552	552,789	1,077,568
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	43,934	(6,139)	25,222
OTHER FINANCING SOURCES (USES):			
Bonds Issued	110,453	—	—
Premiums	—	—	—
Capital Leases	335	—	2,435
Transfers-in	16,692	29,822	11,497
Transfers-out	(45,307)	(1,626)	(16,402)
TOTAL OTHER FINANCING SOURCES (USES)	82,173	28,196	(2,470)
NET CHANGE IN FUND BALANCES	126,107	22,057	22,752
FUND BALANCES (DEFICITS), JULY 1	1,056,279	38,397	(36,257)
FUND BALANCES (DEFICITS), JUNE 30	\$ 1,182,386	\$ 60,454	\$ (13,505)

<u>HIGHWAY SAFETY</u>	<u>NATURAL RESOURCES</u>	<u>WILDLIFE AND WATERWAYS SAFETY</u>	<u>LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS</u>	<u>TOBACCO SETTLEMENT</u>	<u>CLEAN OHIO PROGRAM</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	625	—	—	—	—
—	—	18,042	—	—	—
—	7,569	—	—	—	—
308,831	136,602	43,139	—	—	—
14,396	2,424	430	—	—	—
19,934	52,062	23,525	—	—	2,435
—	—	—	—	308,488	—
14,014	1,128	2,941	11,025	42,786	4,033
34,776	34,799	3,867	1,201	92	4
<u>391,951</u>	<u>235,209</u>	<u>91,944</u>	<u>12,226</u>	<u>351,366</u>	<u>6,472</u>
—	—	—	—	291,706	—
—	—	—	—	—	—
—	—	—	—	71,000	—
231	—	—	—	55,163	—
422,545	447	—	—	2,547	—
—	220,830	90,183	—	11,087	3,041
—	—	—	—	—	—
—	5,024	—	—	268	—
—	3,353	—	184,708	39,634	60,387
1,399	—	3,210	—	—	—
—	—	—	—	—	27
<u>424,175</u>	<u>229,654</u>	<u>93,393</u>	<u>184,708</u>	<u>471,405</u>	<u>63,455</u>
<u>(32,224)</u>	<u>5,555</u>	<u>(1,449)</u>	<u>(172,482)</u>	<u>(120,039)</u>	<u>(56,983)</u>
—	—	—	120,000	—	50,000
—	—	—	—	—	1,113
6,173	—	—	—	—	—
42,318	636	791	63,937	—	—
(20,826)	(1,566)	(859)	—	(3,671)	(502)
<u>27,665</u>	<u>(930)</u>	<u>(68)</u>	<u>183,937</u>	<u>(3,671)</u>	<u>50,611</u>
<u>(4,559)</u>	<u>4,625</u>	<u>(1,517)</u>	<u>11,455</u>	<u>(123,710)</u>	<u>(6,372)</u>
<u>250,766</u>	<u>167,145</u>	<u>58,119</u>	<u>516,194</u>	<u>542,179</u>	<u>94,270</u>
<u>\$ 246,207</u>	<u>\$ 171,770</u>	<u>\$ 56,602</u>	<u>\$ 527,649</u>	<u>\$ 418,469</u>	<u>\$ 87,898</u>

(continued)

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

	HIGHER EDUCATION IMPROVEMENTS	HELP AMERICA VOTE ACT	TOTAL
REVENUES:			
Income Taxes	\$ —	\$ —	\$ 8,299
Sales Taxes	—	—	21,918
Corporate and Public Utility Taxes	—	—	1,688
Motor Vehicle Fuel Taxes	—	—	24,204
Other Taxes	—	—	42,030
Licenses, Permits and Fees	—	—	1,041,691
Sales, Services and Charges	—	—	26,628
Federal Government	—	7,394	2,009,569
Tobacco Settlement	—	—	308,488
Investment Income	7,322	176	104,327
Other	848	—	309,992
TOTAL REVENUES	8,170	7,570	3,898,834
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	—	—	292,940
Higher Education Support	188,224	—	188,224
Public Assistance and Medicaid	—	—	71,003
Health and Human Services	—	—	1,683,010
Justice and Public Protection	—	—	636,856
Environmental Protection and Natural Resources	—	—	325,537
Transportation	—	—	776
General Government	—	14,723	213,153
Community and Economic Development	—	—	972,843
CAPITAL OUTLAY	—	—	16,255
DEBT SERVICE	—	—	49
TOTAL EXPENDITURES	188,224	14,723	4,400,646
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(180,054)	(7,153)	(501,812)
OTHER FINANCING SOURCES (USES):			
Bonds Issued	150,000	—	430,453
Premiums	—	—	1,113
Capital Leases	—	—	8,943
Transfers-in	—	7,140	172,833
Transfers-out	(23)	—	(90,782)
TOTAL OTHER FINANCING SOURCES (USES)	149,977	7,140	522,560
NET CHANGE IN FUND BALANCES	(30,077)	(13)	20,748
FUND BALANCES (DEFICITS), JULY 1	124,528	16	2,811,636
FUND BALANCES (DEFICITS), JUNE 30	\$ 94,451	\$ 3	\$ 2,832,384

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STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007 (dollars in thousands)

	COMMUNITY AND ECONOMIC DEVELOPMENT		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes		\$ 8,301	
Sales Taxes		21,715	
Corporate and Public Utility Taxes		1,063	
Motor Vehicle Fuel Taxes		5,930	
Other Taxes		34,465	
Licenses, Permits and Fees		523,543	
Sales, Services and Charges		9,529	
Federal Government		495,758	
Tobacco Settlement.....		—	
Investment Income		17,126	
Other		95,452	
TOTAL REVENUES.....		1,212,882	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	\$ 2,661	2,227	\$ 434
Higher Education Support	—	—	—
Public Assistance and Medicaid	—	—	—
Health and Human Services	—	—	—
Justice and Public Protection	480,771	301,921	178,850
Environmental Protection and Natural Resources	548	421	127
Transportation	7,523	5,483	2,040
General Government	230,825	206,946	23,879
Community and Economic Development	1,613,816	1,419,881	193,935
CAPITAL OUTLAY	119,786	81,024	38,762
DEBT SERVICE.....	787	22	765
TOTAL BUDGETARY EXPENDITURES.....	\$ 2,456,717	2,017,925	\$ 438,792
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(805,043)	
OTHER FINANCING SOURCES (USES):			
Bonds Issued		110,453	
Transfers-in		42,215	
Transfers-out		(74,224)	
TOTAL OTHER FINANCING SOURCES (USES).....		78,444	
NET CHANGE IN FUND BALANCES.....		(726,599)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1		110,973	
Outstanding Encumbrances at Beginning of Fiscal Year		606,691	
BUDGETARY FUND BALANCES			
(DEFICITS), JUNE 30		\$ (8,935)	

HEALTH			MENTAL HEALTH AND RETARDATION		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ —	
	—			—	
	—			—	
	—			—	
	—			—	
	35,800			3	
	3,767			24	
	464,209			2,103,033	
	—			—	
	363			—	
	89,113			184,703	
	<u>593,252</u>			<u>2,287,763</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
—	—	—	1,718,900	1,321,628	397,272
670,997	628,673	42,324	1,544,635	1,458,081	86,554
11	—	11	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
494	360	134	—	—	—
5,262	5,106	156	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 676,764</u>	<u>634,139</u>	<u>\$ 42,625</u>	<u>\$ 3,263,535</u>	<u>2,779,709</u>	<u>\$ 483,826</u>
	<u>(40,887)</u>			<u>(491,946)</u>	
	—			—	
	18,492			1,500	
	(179)			—	
	<u>18,313</u>			<u>1,500</u>	
	<u>(22,574)</u>			<u>(490,446)</u>	
	20,523			(414,775)	
	<u>35,386</u>			<u>525,092</u>	
	<u>\$ 33,335</u>			<u>\$ (380,129)</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

	HIGHWAY SAFETY		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes		\$ —	
Sales Taxes		—	
Corporate and Public Utility Taxes		—	
Motor Vehicle Fuel Taxes		—	
Other Taxes		—	
Licenses, Permits and Fees		306,759	
Sales, Services and Charges		14,398	
Federal Government		21,820	
Tobacco Settlement.....		—	
Investment Income		14,185	
Other		40,225	
TOTAL REVENUES.....		397,387	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	\$ —	—	\$ —
Higher Education Support	—	—	—
Public Assistance and Medicaid	—	—	—
Health and Human Services	284	281	3
Justice and Public Protection	500,029	449,708	50,321
Environmental Protection and Natural Resources	—	—	—
Transportation	—	—	—
General Government	—	—	—
Community and Economic Development	—	—	—
CAPITAL OUTLAY	6,994	2,537	4,457
DEBT SERVICE.....	14,407	13,385	1,022
TOTAL BUDGETARY EXPENDITURES.....	\$ 521,714	465,911	\$ 55,803
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(68,524)	
OTHER FINANCING SOURCES (USES):			
Bonds Issued		—	
Transfers-in		69,766	
Transfers-out		(34,568)	
TOTAL OTHER FINANCING SOURCES (USES).....		35,198	
NET CHANGE IN FUND BALANCES.....		(33,326)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1		237,755	
Outstanding Encumbrances at Beginning of Fiscal Year		41,358	
BUDGETARY FUND BALANCES			
(DEFICITS), JUNE 30		\$ 245,787	

NATURAL RESOURCES			WILDLIFE AND WATERWAYS SAFETY		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ —	
	—			—	
	625			—	
	—			17,198	
	7,015			—	
	133,153			42,053	
	2,424			429	
	51,964			23,525	
	—			—	
	1,128			2,940	
	38,435			4,606	
	<u>234,744</u>			<u>90,751</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
622	420	202	—	—	—
324,980	275,144	49,836	111,351	100,988	10,363
—	—	—	—	—	—
5,992	5,317	675	—	—	—
7,466	5,162	2,304	—	—	—
—	—	—	38,677	8,733	29,944
—	—	—	—	—	—
<u>\$ 339,060</u>	<u>286,043</u>	<u>\$ 53,017</u>	<u>\$ 150,028</u>	<u>109,721</u>	<u>\$ 40,307</u>
	<u>(51,299)</u>			<u>(18,970)</u>	
	—			—	
	2,614			1,003	
	<u>(3,277)</u>			<u>(1,010)</u>	
	<u>(663)</u>			<u>(7)</u>	
	<u>(51,962)</u>			<u>(18,977)</u>	
	122,958			47,152	
	<u>59,614</u>			<u>18,820</u>	
	<u>\$ 130,610</u>			<u>\$ 46,995</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

	LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes		\$ —	
Sales Taxes		—	
Corporate and Public Utility Taxes		—	
Motor Vehicle Fuel Taxes		—	
Other Taxes		—	
Licenses, Permits and Fees		—	
Sales, Services and Charges		—	
Federal Government		—	
Tobacco Settlement.....		—	
Investment Income		9,142	
Other		22,562	
TOTAL REVENUES.....		31,704	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	\$ —	—	\$ —
Higher Education Support	—	—	—
Public Assistance and Medicaid	—	—	—
Health and Human Services	—	—	—
Justice and Public Protection	—	—	—
Environmental Protection and Natural Resources	—	—	—
Transportation	—	—	—
General Government	—	—	—
Community and Economic Development	700,157	223,232	476,925
CAPITAL OUTLAY	—	—	—
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 700,157	223,232	\$ 476,925
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(191,528)	
OTHER FINANCING SOURCES (USES):			
Bonds Issued		121,883	
Transfers-in		63,937	
Transfers-out		—	
TOTAL OTHER FINANCING SOURCES (USES).....		185,820	
NET CHANGE IN FUND BALANCES.....		(5,708)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		229,636	
Outstanding Encumbrances at Beginning of Fiscal Year		7	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 223,935	

TOBACCO SETTLEMENT

CLEAN OHIO PROGRAM

TOBACCO SETTLEMENT			CLEAN OHIO PROGRAM		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ —	
	—			—	
	—			—	
	—			—	
	—			—	
	—			—	
	—			2,435	
	308,488			—	
	5,677			4,033	
	2,508			2	
	<u>316,673</u>			<u>6,470</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
71,000	71,000	—	—	—	—
20,754	20,433	321	—	—	—
3,437	3,256	181	—	—	—
14,620	14,498	122	16,784	16,570	214
—	—	—	—	—	—
352	296	56	—	—	—
137,842	137,093	749	227,959	131,443	96,516
—	—	—	—	—	—
—	—	—	27	27	—
<u>\$ 248,005</u>	<u>246,576</u>	<u>\$ 1,429</u>	<u>\$ 244,770</u>	<u>148,040</u>	<u>\$ 96,730</u>
	<u>70,097</u>			<u>(141,570)</u>	
	—			51,113	
	135,051			150	
	(430,280)			(633)	
	<u>(295,229)</u>			<u>50,630</u>	
	<u>(225,132)</u>			<u>(90,940)</u>	
	199,885			(740)	
	<u>102,897</u>			<u>99,773</u>	
	<u>\$ 77,650</u>			<u>\$ 8,093</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

	HIGHER EDUCATION IMPROVEMENTS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes		\$ —	
Sales Taxes		—	
Corporate and Public Utility Taxes		—	
Motor Vehicle Fuel Taxes		—	
Other Taxes		—	
Licenses, Permits and Fees		—	
Sales, Services and Charges		—	
Federal Government		—	
Tobacco Settlement.....		—	
Investment Income		7,322	
Other		847	
TOTAL REVENUES.....		8,169	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	\$ —	—	\$ —
Higher Education Support	1,267,159	410,871	856,288
Public Assistance and Medicaid	—	—	—
Health and Human Services	—	—	—
Justice and Public Protection	—	—	—
Environmental Protection and Natural Resources	—	—	—
Transportation	—	—	—
General Government	—	—	—
Community and Economic Development	—	—	—
CAPITAL OUTLAY	—	—	—
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 1,267,159	410,871	\$ 856,288
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(402,702)	
OTHER FINANCING SOURCES (USES):			
Bonds Issued		150,000	
Transfers-in		—	
Transfers-out		—	
TOTAL OTHER FINANCING SOURCES (USES).....		150,000	
NET CHANGE IN FUND BALANCES.....		(252,702)	
BUDGETARY FUND BALANCES			
(DEFICITS), JULY 1		(75,149)	
Outstanding Encumbrances at Beginning of Fiscal Year		239,851	
BUDGETARY FUND BALANCES			
(DEFICITS), JUNE 30		\$ (88,000)	

HELP AMERICA VOTE ACT			TOTAL		
BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
FINAL	ACTUAL		FINAL	ACTUAL	
	\$ —			\$ 8,301	
	—			21,715	
	—			1,688	
	—			23,128	
	—			41,480	
	—			1,041,311	
	—			30,571	
	387			3,163,131	
	—			308,488	
	177			62,093	
	—			478,453	
	<u>564</u>			<u>5,180,359</u>	
\$ —	—	\$ —	\$ 2,661	2,227	\$ 434
—	—	—	1,267,159	410,871	856,288
—	—	—	1,789,900	1,392,628	397,272
—	—	—	2,236,670	2,107,468	129,202
—	—	—	984,870	755,305	229,565
—	—	—	468,283	407,621	60,662
—	—	—	7,523	5,483	2,040
46,117	22,936	23,181	283,780	235,855	47,925
—	—	—	2,692,502	1,921,917	770,585
—	—	—	165,457	92,294	73,163
—	—	—	15,221	13,434	1,787
<u>\$ 46,117</u>	<u>22,936</u>	<u>\$ 23,181</u>	<u>\$ 9,914,026</u>	<u>7,345,103</u>	<u>\$ 2,568,923</u>
	(22,372)			(2,164,744)	
	—			433,449	
	7,140			341,868	
	—			(544,171)	
	<u>7,140</u>			<u>231,146</u>	
	(15,232)			(1,933,598)	
	5,332			483,550	
	<u>17,773</u>			<u>1,747,262</u>	
	<u>\$ 7,873</u>			<u>\$ 297,214</u>	

NONMAJOR DEBT SERVICE FUNDS

Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The **Coal Research/Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 15 of Article VIII, Ohio Constitution, to finance coal research and development projects.

The **Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2f of Article VIII, Ohio Constitution, to finance the improvement of higher education facilities, public schools, and natural resources.

The **Highway Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2g of Article VIII, Ohio Constitution, to finance the acquisition of rights-of-way and the construction and reconstruction of the State's highways and urban extensions.

The **Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2h of Article VIII, Ohio Constitution, to finance the construction, improvement, and development of higher education facilities, public schools, and natural resources.

The **Highway General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the construction of the State's highways.

The **Public Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance water pollution controls and improvements at higher education facilities, parks, and natural resources.

The **Vietnam Conflict Compensation General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2j of Article VIII, Ohio Constitution, to provide funding for the compensation to Ohioans that served in the military during the Vietnam Conflict.

The **Local Infrastructure Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2k of Article VIII, Ohio Constitution, to finance the cost of local government's public infrastructure improvement projects.

The **State Projects General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2l of Article VIII, Ohio Constitution, to finance capital improvements at state and local parks and other natural resources-related projects.

The **Highway Capital Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2m of Article VIII, Ohio Constitution, to finance capital improvements to the state highway system.

The **Higher Education Capital Facilities General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of capital facilities for state-supported and state-assisted institutions of higher education, including those for technical education.

The **Common Schools Capital Facilities General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of facilities for a system of common schools throughout Ohio.

The **Conservation Projects General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2o of Article VIII, Ohio Constitution, to finance the purchase of additional “greenspace” land or interest in land devoted to natural areas, open spaces, and agriculture.

The **Third Frontier Research/Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2p of Article VIII, Ohio Constitution, to finance research and development in support of Ohio industry, commerce, and business.

The **Job Ready Site Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2p of Article VIII, Ohio Constitution, to finance the development of sites for industry, distribution, commerce, and research and development.

The **Economic Development Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds issued to finance loans to individuals, corporations, and agencies within the State for economic development projects that create or retain jobs in the State.

The **Infrastructure Bank Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds that have been authorized under the authority of Section 5531.10, Ohio Revised Code, to finance the construction of the Spring-Sandusky Highway Project in Columbus.

The **Revitalization Project Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds to finance the costs of environmentally safe and productive development, use, or reuse of publicly and privately owned lands, including those within urban areas.

The **Chapter 154 Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of higher education facilities, mental health facilities, and parks and recreation projects and state park facilities.

The **School Building Program Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the costs of school buildings and classroom facilities used by public school districts for elementary and secondary education purposes.

The **Ohio Building Authority Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of state office buildings and the costs of capital improvements for the Departments of Administrative Services, Youth Services, Transportation, Rehabilitation and Correction, Natural Resources, and Public Safety and for the Cultural Facilities Commission.

The **Transportation Certificates of Participation Fund** accounts for the payment of certificate of participation-related obligations that financed the acquisition of the Department of Transportation’s Panhandle Rail Line Project.

The **OAKS Certificates of Participation Fund** accounts for the payment of certificate of participation-related obligations that finance the State’s enterprise resource planning system project, known as the Ohio Administrative Knowledge System (OAKS).

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2007
(dollars in thousands)

	COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS	IMPROVEMENTS GENERAL OBLIGATIONS	HIGHWAY IMPROVEMENTS GENERAL OBLIGATIONS
ASSETS:			
Cash Equity with Treasurer	\$ 15	\$ —	\$ —
Cash and Cash Equivalents	—	130	55
Investments	—	—	—
Collateral on Lent Securities	9	—	—
Interfund Receivable	—	—	—
Other Receivables	—	—	—
Other Assets	—	—	—
TOTAL ASSETS	\$ 24	\$ 130	\$ 55
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ —	\$ —	\$ —
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	9	—	—
Interfund Payable	—	—	—
Payable to Component Units	35	—	—
Refund and Other Liabilities	—	130	55
TOTAL LIABILITIES	44	130	55
FUND BALANCES:			
Reserved for:			
Debt Service	—	—	—
Other:			
Assets in Excess of Debt Service Requirements	—	—	—
Unreserved/Undesignated	(20)	—	—
TOTAL FUND BALANCES (DEFICITS)	(20)	—	—
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 24	\$ 130	\$ 55

<u>DEVELOPMENT GENERAL OBLIGATIONS</u>	<u>HIGHWAY GENERAL OBLIGATIONS</u>	<u>PUBLIC IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS</u>	<u>LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>STATE PROJECTS GENERAL OBLIGATIONS</u>
\$ —	\$ —	\$ —	\$ —	\$ 156	\$ 6
268	170	149	28	—	—
—	—	—	—	—	—
—	—	—	—	87	3
—	—	—	—	—	—
—	—	—	—	—	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 268</u>	<u>\$ 170</u>	<u>\$ 149</u>	<u>\$ 28</u>	<u>\$ 243</u>	<u>\$ 9</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	87	3
—	—	—	—	—	—
—	—	—	—	—	—
268	170	149	25	—	—
<u>268</u>	<u>170</u>	<u>149</u>	<u>25</u>	<u>87</u>	<u>3</u>
—	—	—	—	156	6
—	—	—	3	—	—
—	—	—	—	—	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>156</u>	<u>6</u>
<u>\$ 268</u>	<u>\$ 170</u>	<u>\$ 149</u>	<u>\$ 28</u>	<u>\$ 243</u>	<u>\$ 9</u>

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2007
(dollars in thousands)
(continued)

	<u>HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS</u>	<u>COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS</u>
ASSETS:			
Cash Equity with Treasurer	\$ 10,441	\$ 141	\$ 173
Cash and Cash Equivalents	—	—	—
Investments	—	—	—
Collateral on Lent Securities	5,859	79	97
Interfund Receivable	—	—	—
Other Receivables	—	—	—
Other Assets	—	—	—
TOTAL ASSETS	\$ 16,300	\$ 220	\$ 270
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ —	\$ —	\$ —
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	5,859	79	97
Interfund Payable	—	—	—
Payable to Component Units	—	—	—
Refund and Other Liabilities	—	—	—
TOTAL LIABILITIES	5,859	79	97
FUND BALANCES:			
Reserved for:			
Debt Service	10,441	141	173
Other:			
Assets in Excess of Debt Service Requirements	—	—	—
Unreserved/Undesignated	—	—	—
TOTAL FUND BALANCES (DEFICITS)	10,441	141	173
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 16,300	\$ 220	\$ 270

<u>CONSERVATION PROJECTS GENERAL OBLIGATIONS</u>	<u>THIRD FRONTIER RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS</u>	<u>JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS</u>	<u>ECONOMIC DEVELOPMENT REVENUE BONDS</u>	<u>INFRASTRUCTURE BANK REVENUE BONDS</u>	<u>REVITALIZATION PROJECT REVENUE BONDS</u>
\$ 7	\$ 19	\$ 10	\$ —	\$ —	\$ —
—	—	—	1,966	—	7
—	—	—	9,799	8,229	4,587
4	11	6	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 11</u>	<u>\$ 30</u>	<u>\$ 16</u>	<u>\$ 11,765</u>	<u>\$ 8,229</u>	<u>\$ 4,594</u>
\$ —	\$ —	\$ —	\$ —	\$ 3	\$ —
—	—	—	—	—	—
4	11	6	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>4</u>	<u>11</u>	<u>6</u>	<u>—</u>	<u>3</u>	<u>—</u>
7	19	10	11,765	8,226	4,594
—	—	—	—	—	—
—	—	—	—	—	—
<u>7</u>	<u>19</u>	<u>10</u>	<u>11,765</u>	<u>8,226</u>	<u>4,594</u>
<u>\$ 11</u>	<u>\$ 30</u>	<u>\$ 16</u>	<u>\$ 11,765</u>	<u>\$ 8,229</u>	<u>\$ 4,594</u>

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2007
(dollars in thousands)
(continued)

	<u>CHAPTER 154 SPECIAL OBLIGATIONS</u>	<u>SCHOOL BUILDING PROGRAM SPECIAL OBLIGATIONS</u>	<u>OHIO BUILDING AUTHORITY SPECIAL OBLIGATIONS</u>
ASSETS:			
Cash Equity with Treasurer	\$ —	\$ —	\$ —
Cash and Cash Equivalents	62	—	—
Investments	162	55	2,135
Collateral on Lent Securities	—	—	—
Interfund Receivable	—	—	655
Other Receivables	—	—	7
Other Assets	—	—	22
TOTAL ASSETS	\$ 224	\$ 55	\$ 2,819
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ —	\$ —	\$ 366
Accrued Liabilities	28	—	—
Obligations Under Securities Lending	—	—	—
Interfund Payable	—	—	290
Payable to Component Units	—	—	—
Refund and Other Liabilities	—	—	1,687
TOTAL LIABILITIES	28	—	2,343
FUND BALANCES:			
Reserved for:			
Debt Service	196	55	476
Other:			
Assets in Excess of Debt Service Requirements	—	—	—
Unreserved/Undesignated	—	—	—
TOTAL FUND BALANCES (DEFICITS)	196	55	476
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 224	\$ 55	\$ 2,819

<u>TRANSPORTATION CERTIFICATES OF PARTICIPATION</u>	<u>OAKS CERTIFICATES OF PARTICIPATION</u>	<u>TOTAL</u>
\$ —	\$ —	\$ 10,968
—	—	2,835
947	300	26,214
—	—	6,155
—	—	655
—	—	7
—	—	22
<u>\$ 947</u>	<u>\$ 300</u>	<u>\$ 46,856</u>

\$ —	\$ 2	\$ 371
—	—	28
—	—	6,155
—	—	290
—	—	35
—	—	2,484
<u>—</u>	<u>2</u>	<u>9,363</u>

947	298	37,510
—	—	3
—	—	(20)
<u>947</u>	<u>298</u>	<u>37,493</u>
<u>\$ 947</u>	<u>\$ 300</u>	<u>\$ 46,856</u>

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)

	COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS	VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS	LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS
REVENUES:			
Investment Income	\$ 5	\$ —	\$ 71
Other	6	—	—
TOTAL REVENUES	11	—	71
EXPENDITURES:			
DEBT SERVICE	7,015	—	175,943
TOTAL EXPENDITURES	7,015	—	175,943
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,004)	—	(175,872)
OTHER FINANCING SOURCES (USES):			
Bonds and Certificates of Participation Issued	—	—	—
Refunding Bonds Issued	—	—	—
Payment to Refunded Bond Escrow Agents	—	—	—
Premiums	—	—	5,342
Transfers-in	6,940	—	170,652
TOTAL OTHER FINANCING SOURCES (USES)	6,940	—	175,994
NET CHANGE IN FUND BALANCES	(64)	—	122
FUND BALANCES, JULY 1	44	3	34
FUND BALANCES (DEFICITS), JUNE 30	\$ (20)	\$ 3	\$ 156

STATE PROJECTS GENERAL OBLIGATIONS	HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS	HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS	COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS	CONSERVATION PROJECTS GENERAL OBLIGATIONS	THIRD FRONTIER RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS
\$ 2	\$ 3,963	\$ 113	\$ 142	\$ 3	\$ 14
<u>2</u>	<u>3,963</u>	<u>113</u>	<u>142</u>	<u>3</u>	<u>14</u>
21,992	199,854	155,335	235,149	14,487	12,050
<u>21,992</u>	<u>199,854</u>	<u>155,335</u>	<u>235,149</u>	<u>14,487</u>	<u>12,050</u>
<u>(21,990)</u>	<u>(195,891)</u>	<u>(155,222)</u>	<u>(235,007)</u>	<u>(14,484)</u>	<u>(12,036)</u>
—	—	—	—	—	220
—	—	—	—	—	—
—	—	—	—	—	—
220	8,483	11,581	24,571	327	981
21,709	191,070	143,648	210,564	14,087	10,854
<u>21,929</u>	<u>199,553</u>	<u>155,229</u>	<u>235,135</u>	<u>14,414</u>	<u>12,055</u>
<u>(61)</u>	<u>3,662</u>	<u>7</u>	<u>128</u>	<u>(70)</u>	<u>19</u>
67	6,779	134	45	77	—
<u>\$ 6</u>	<u>\$ 10,441</u>	<u>\$ 141</u>	<u>\$ 173</u>	<u>\$ 7</u>	<u>\$ 19</u>

(continued)

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)
(continued)

	JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS	ECONOMIC DEVELOPMENT REVENUE BONDS	INFRASTRUCTURE BANK REVENUE BONDS
REVENUES:			
Investment Income	\$ —	\$ 542	\$ 3,305
Other.	—	—	—
TOTAL REVENUES	—	542	3,305
EXPENDITURES:			
DEBT SERVICE	3,802	30,327	101,493
TOTAL EXPENDITURES	3,802	30,327	101,493
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,802)	(29,785)	(98,188)
OTHER FINANCING SOURCES (USES):			
Bonds and Certificates of Participation Issued	47	—	5,250
Refunding Bonds Issued.	—	101,980	—
Payment to Refunded Bond Escrow Agents.	—	(111,506)	—
Premiums	309	9,748	7,075
Transfers-in.	3,456	29,648	92,167
TOTAL OTHER FINANCING SOURCES (USES).	3,812	29,870	104,492
NET CHANGE IN FUND BALANCES	10	85	6,304
FUND BALANCES, JULY 1	—	11,680	1,922
FUND BALANCES (DEFICITS), JUNE 30	\$ 10	\$ 11,765	\$ 8,226

<u>REVITALIZATION PROJECT REVENUE BONDS</u>	<u>CHAPTER 154 SPECIAL OBLIGATIONS</u>	<u>SCHOOL BUILDING PROGRAM SPECIAL OBLIGATIONS</u>	<u>OHIO BUILDING AUTHORITY SPECIAL OBLIGATIONS</u>	<u>TRANSPORTATION CERTIFICATES OF PARTICIPATION</u>	<u>OAKS CERTIFICATES OF PARTICIPATION</u>
\$ 224	\$ 74	\$ 10	\$ —	\$ 69	\$ 105
—	—	—	536	702	—
<u>224</u>	<u>74</u>	<u>10</u>	<u>536</u>	<u>771</u>	<u>105</u>
9,135	308,428	31,608	280,727	768	4,347
<u>9,135</u>	<u>308,428</u>	<u>31,608</u>	<u>280,727</u>	<u>768</u>	<u>4,347</u>
<u>(8,911)</u>	<u>(308,354)</u>	<u>(31,598)</u>	<u>(280,191)</u>	<u>3</u>	<u>(4,242)</u>
—	164	—	—	—	—
—	70,480	—	86,745	—	—
—	(74,485)	—	(93,660)	—	—
—	5,864	—	8,078	—	340
9,136	303,497	31,286	279,087	—	—
<u>9,136</u>	<u>305,520</u>	<u>31,286</u>	<u>280,250</u>	<u>—</u>	<u>340</u>
225	(2,834)	(312)	59	3	(3,902)
4,369	3,030	367	417	944	4,200
<u>\$ 4,594</u>	<u>\$ 196</u>	<u>\$ 55</u>	<u>\$ 476</u>	<u>\$ 947</u>	<u>\$ 298</u>

(continued)

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)
(continued)

	<u>TOTAL</u>
REVENUES:	
Investment Income	\$ 8,642
Other	1,244
TOTAL REVENUES	<u>9,886</u>
EXPENDITURES:	
DEBT SERVICE	1,592,460
TOTAL EXPENDITURES	<u>1,592,460</u>
EXCESS (DEFICIENCY) OF REVENUES	
OVER (UNDER) EXPENDITURES	<u>(1,582,574)</u>
OTHER FINANCING SOURCES (USES):	
Bonds and Certificates of Participation Issued	5,681
Refunding Bonds Issued	259,205
Payment to Refunded Bond Escrow Agents	(279,651)
Premiums	82,919
Transfers-in	1,517,801
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,585,955</u>
NET CHANGE IN FUND BALANCES	<u>3,381</u>
FUND BALANCES, JULY 1	<u>34,112</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 37,493</u>

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STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007 (dollars in thousands)

	COAL RESEARCH/DEVELOPMENT GENERAL OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income		\$ 5	
Other		6,947	
TOTAL REVENUES.....		6,952	
BUDGETARY EXPENDITURES:			
DEBT SERVICE.....	\$ 8,990	7,015	\$ 1,975
TOTAL BUDGETARY EXPENDITURES.....	\$ 8,990	7,015	\$ 1,975
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(63)	
OTHER FINANCING SOURCES (USES):			
Bonds Issued.....		—	
Transfers-in		—	
TOTAL OTHER FINANCING SOURCES (USES).....		—	
NET CHANGE IN FUND BALANCES.....		(63)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....		78	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 15	

LOCAL INFRASTRUCTURE IMPROVEMENTS
GENERAL OBLIGATIONS

<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
<u>FINAL</u>	<u>ACTUAL</u>	
	\$ 70	
	170,652	
	<u>170,722</u>	
\$ 175,664	175,664	\$ —
<u>\$ 175,664</u>	<u>175,664</u>	<u>\$ —</u>
	<u>(4,942)</u>	
	5,064	
	—	
	<u>5,064</u>	
	122	
	34	
	<u>\$ 156</u>	

STATE PROJECTS GENERAL OBLIGATIONS

<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
<u>FINAL</u>	<u>ACTUAL</u>	
	\$ 3	
	21,708	
	<u>21,711</u>	
\$ 24,659	21,772	\$ 2,887
<u>\$ 24,659</u>	<u>21,772</u>	<u>\$ 2,887</u>
	<u>(61)</u>	
	—	
	—	
	<u>—</u>	
	(61)	
	67	
	<u>\$ 6</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)
(continued)

	HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income		\$ 3,963	
Other		—	
TOTAL REVENUES.....		3,963	
BUDGETARY EXPENDITURES:			
DEBT SERVICE.....	\$ 198,794	198,794	\$ —
TOTAL BUDGETARY EXPENDITURES.....	\$ 198,794	198,794	\$ —
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(194,831)	
OTHER FINANCING SOURCES (USES):			
Bonds Issued.....		7,423	
Transfers-in		191,070	
TOTAL OTHER FINANCING SOURCES (USES).....		198,493	
NET CHANGE IN FUND BALANCES.....		3,662	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....		6,779	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 10,441	

HIGHER EDUCATION CAPITAL FACILITIES
GENERAL OBLIGATIONS

		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
BUDGET		
FINAL	ACTUAL	
	\$ 114	
	143,647	
	<u>143,761</u>	
\$ 158,114	154,433	\$ 3,681
<u>\$ 158,114</u>	<u>154,433</u>	<u>\$ 3,681</u>
	(10,672)	
	10,679	
	—	
	<u>10,679</u>	
	7	
	134	
	<u>\$ 141</u>	

COMMON SCHOOLS CAPITAL FACILITIES
GENERAL OBLIGATIONS

		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
BUDGET		
FINAL	ACTUAL	
	\$ 141	
	210,564	
	<u>210,705</u>	
\$ 236,912	232,754	\$ 4,158
<u>\$ 236,912</u>	<u>232,754</u>	<u>\$ 4,158</u>
	(22,049)	
	22,177	
	—	
	<u>22,177</u>	
	128	
	45	
	<u>\$ 173</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

CONSERVATION PROJECTS GENERAL OBLIGATIONS			
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income		\$ 4	
Other		14,087	
TOTAL REVENUES.....		14,091	
BUDGETARY EXPENDITURES:			
DEBT SERVICE.....	\$ 17,669	14,161	\$ 3,508
TOTAL BUDGETARY EXPENDITURES.....	\$ 17,669	14,161	\$ 3,508
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(70)	
OTHER FINANCING SOURCES (USES):			
Bonds Issued.....		—	
Transfers-in		—	
TOTAL OTHER FINANCING SOURCES (USES).....		—	
NET CHANGE IN FUND BALANCES.....		(70)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....		77	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 7	

THIRD FRONTIER RESEARCH/DEVELOPMENT
GENERAL OBLIGATIONS

		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
BUDGET		
FINAL	ACTUAL	
	\$ 13	
	10,854	
	<u>10,867</u>	
\$ 13,910	11,458	\$ 2,452
<u>\$ 13,910</u>	<u>11,458</u>	<u>\$ 2,452</u>
	<u>(591)</u>	
	610	
	<u>—</u>	
	<u>610</u>	
	19	
	<u>—</u>	
	<u>\$ 19</u>	

JOB READY SITE DEVELOPMENT
GENERAL OBLIGATIONS

		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
BUDGET		
FINAL	ACTUAL	
	\$ —	
	3,456	
	<u>3,456</u>	
\$ 4,124	3,446	\$ 678
<u>\$ 4,124</u>	<u>3,446</u>	<u>\$ 678</u>
	<u>10</u>	
	—	
	<u>—</u>	
	<u>—</u>	
	10	
	<u>—</u>	
	<u>\$ 10</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

	TOTAL		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income		\$ 4,313	
Other		581,915	
TOTAL REVENUES.....		586,228	
BUDGETARY EXPENDITURES:			
DEBT SERVICE.....	\$ 838,836	819,497	\$ 19,339
TOTAL BUDGETARY EXPENDITURES.....	\$ 838,836	819,497	\$ 19,339
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(233,269)	
OTHER FINANCING SOURCES (USES):			
Bonds Issued.....		45,953	
Transfers-in		191,070	
TOTAL OTHER FINANCING SOURCES (USES).....		237,023	
NET CHANGE IN FUND BALANCES.....		3,754	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....		7,214	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 10,968	

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The **Infrastructure Bank Obligations Fund** accounts for revenue bond proceeds that finance various highway construction projects sponsored by the Department of Transportation.

The **Mental Health/Mental Retardation Facilities Improvements Fund** accounts for special obligation bond proceeds that finance the construction of mental health/mental retardation facilities.

The **Parks and Recreation Improvements Fund** accounts for special obligation bond proceeds that finance the capital improvement of parks and recreation facilities.

The **Administrative Services Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Administrative Services.

The **Youth Services Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Youth Services.

The **Adult Correctional Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Rehabilitation and Correction.

The **Highway Safety Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Public Safety.

The **Ohio Parks and Natural Resources Fund** accounts for general obligation bond proceeds that finance capital improvements for state and local parks and other natural resources-related projects.

The **Highway Capital Improvement Fund** accounts for general obligation bond proceeds that finance capital improvements to the state highway system.

The **OAKS Project Fund** accounts for certificate of participation proceeds that finance the costs of the Ohio Administrative Knowledge System (OAKS) project, which is a statewide enterprise resource planning system.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2007
(dollars in thousands)

	<u>INFRASTRUCTURE BANK OBLIGATIONS</u>	<u>MENTAL HEALTH/ MENTAL RETARDATION FACILITIES IMPROVEMENTS</u>	<u>PARKS AND RECREATION IMPROVEMENTS</u>
ASSETS:			
Cash Equity with Treasurer	\$ 127,356	\$ 19,291	\$ 5,117
Investments	—	—	—
Collateral on Lent Securities	71,467	10,825	2,871
Other Receivables	—	—	—
TOTAL ASSETS	\$ 198,823	\$ 30,116	\$ 7,988
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 29,652	\$ 1,300	\$ 209
Obligations Under Securities Lending	71,467	10,825	2,871
Interfund Payable	—	—	—
TOTAL LIABILITIES	101,119	12,125	3,080
FUND BALANCES:			
Reserved for:			
Encumbrances	310,481	16,367	8,996
Unreserved/Undesignated	(212,777)	1,624	(4,088)
TOTAL FUND BALANCES	97,704	17,991	4,908
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 198,823	\$ 30,116	\$ 7,988

<u>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</u>	<u>YOUTH SERVICES BUILDING IMPROVEMENTS</u>	<u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u>	<u>HIGHWAY SAFETY BUILDING IMPROVEMENTS</u>	<u>OHIO PARKS AND NATURAL RESOURCES</u>	<u>HIGHWAY CAPITAL IMPROVEMENT</u>
\$ 23,645	\$ 23,645	\$ 17,311	\$ 819	\$ 30,259	\$ 179,744
—	—	—	—	—	—
13,269	13,268	9,714	460	16,980	100,865
—	—	—	—	—	—
<u>\$ 36,914</u>	<u>\$ 36,913</u>	<u>\$ 27,025</u>	<u>\$ 1,279</u>	<u>\$ 47,239</u>	<u>\$ 280,609</u>
\$ 1,933	\$ 22	\$ 3,280	\$ 296	\$ 2,363	\$ 18,962
13,269	13,268	9,714	460	16,980	100,865
655	—	—	—	—	—
<u>15,857</u>	<u>13,290</u>	<u>12,994</u>	<u>756</u>	<u>19,343</u>	<u>119,827</u>
16,873	7,549	18,917	195	8,724	252,175
4,184	16,074	(4,886)	328	19,172	(91,393)
21,057	23,623	14,031	523	27,896	160,782
<u>\$ 36,914</u>	<u>\$ 36,913</u>	<u>\$ 27,025</u>	<u>\$ 1,279</u>	<u>\$ 47,239</u>	<u>\$ 280,609</u>

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2007
(dollars in thousands)
(continued)

	<u>OAKS PROJECT</u>	<u>TOTAL</u>
ASSETS:		
Cash Equity with Treasurer	\$ —	\$ 427,187
Investments	36,461	36,461
Collateral on Lent Securities	—	239,719
Other Receivables	<u>160</u>	<u>160</u>
TOTAL ASSETS	\$ <u>36,621</u>	\$ <u>703,527</u>
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accounts Payable	\$ 5,835	\$ 63,852
Obligations Under Securities Lending	—	239,719
Interfund Payable	<u>—</u>	<u>655</u>
TOTAL LIABILITIES	<u>5,835</u>	<u>304,226</u>
FUND BALANCES:		
Reserved for:		
Encumbrances	—	640,277
Unreserved/Undesignated	<u>30,786</u>	<u>(240,976)</u>
TOTAL FUND BALANCES	<u>30,786</u>	<u>399,301</u>
TOTAL LIABILITIES AND FUND BALANCES ...	\$ <u>36,621</u>	\$ <u>703,527</u>

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STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR CAPITAL PROJECTS FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS	MENTAL HEALTH/ MENTAL RETARDATION FACILITIES IMPROVEMENTS	PARKS AND RECREATION IMPROVEMENTS
REVENUES:			
Sales, Services and Charges	\$ —	\$ 154	\$ —
Investment Income	6,600	1,206	574
Other	—	148	283
TOTAL REVENUES	6,600	1,508	857
EXPENDITURES:			
CAPITAL OUTLAY	111,456	17,841	9,164
TOTAL EXPENDITURES	111,456	17,841	9,164
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(104,856)	(16,333)	(8,307)
OTHER FINANCING SOURCES (USES):			
Bonds and Certificates of Participation Issued	180,000	29,836	—
Premiums	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	180,000	29,836	—
NET CHANGE IN FUND BALANCES	75,144	13,503	(8,307)
FUND BALANCES, JULY 1	22,560	4,488	13,215
FUND BALANCES, JUNE 30	\$ 97,704	\$ 17,991	\$ 4,908

<u>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</u>	<u>YOUTH SERVICES BUILDING IMPROVEMENTS</u>	<u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u>	<u>HIGHWAY SAFETY BUILDING IMPROVEMENTS</u>	<u>OHIO PARKS AND NATURAL RESOURCES</u>	<u>HIGHWAY CAPITAL IMPROVEMENT</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1,457	227	1,630	82	451	4,846
11	—	3	—	88	—
<u>1,468</u>	<u>227</u>	<u>1,633</u>	<u>82</u>	<u>539</u>	<u>4,846</u>
33,388	2,966	27,302	1,791	15,999	160,187
<u>33,388</u>	<u>2,966</u>	<u>27,302</u>	<u>1,791</u>	<u>15,999</u>	<u>160,187</u>
<u>(31,920)</u>	<u>(2,739)</u>	<u>(25,669)</u>	<u>(1,709)</u>	<u>(15,460)</u>	<u>(155,341)</u>
40,000	20,000	—	—	30,000	190,000
1,317	856	—	—	252	—
<u>41,317</u>	<u>20,856</u>	<u>—</u>	<u>—</u>	<u>30,252</u>	<u>190,000</u>
<u>9,397</u>	<u>18,117</u>	<u>(25,669)</u>	<u>(1,709)</u>	<u>14,792</u>	<u>34,659</u>
11,660	5,506	39,700	2,232	13,104	126,123
<u>\$ 21,057</u>	<u>\$ 23,623</u>	<u>\$ 14,031</u>	<u>\$ 523</u>	<u>\$ 27,896</u>	<u>\$ 160,782</u>

(continued)

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)
(continued)

	<u>OAKS PROJECT</u>	<u>TOTAL</u>
REVENUES:		
Sales, Services and Charges	\$ —	\$ 154
Investment Income	2,312	19,385
Other.	—	533
TOTAL REVENUES	<u>2,312</u>	<u>20,072</u>
EXPENDITURES:		
CAPITAL OUTLAY	54,704	434,798
TOTAL EXPENDITURES	<u>54,704</u>	<u>434,798</u>
EXCESS (DEFICIENCY) OF REVENUES		
OVER (UNDER) EXPENDITURES	<u>(52,392)</u>	<u>(414,726)</u>
OTHER FINANCING SOURCES (USES):		
Bonds and Certificates of Participation Issued	31,860	521,696
Premiums	1,421	3,846
TOTAL OTHER FINANCING SOURCES (USES)	<u>33,281</u>	<u>525,542</u>
NET CHANGE IN FUND BALANCES	<u>(19,111)</u>	<u>110,816</u>
FUND BALANCES, JULY 1	<u>49,897</u>	<u>288,485</u>
FUND BALANCES, JUNE 30	<u>\$ 30,786</u>	<u>\$ 399,301</u>

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STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007 (dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS		
			VARIANCE WITH FINAL BUDGET
	BUDGET FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Sales, Services and Charges.....		\$ —	
Investment Income		6,598	
Other		—	
TOTAL REVENUES.....		6,598	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 442,676	425,269	\$ 17,407
TOTAL BUDGETARY EXPENDITURES.....	\$ 442,676	425,269	\$ 17,407
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(418,671)	
OTHER FINANCING SOURCES (USES):			
Bonds Issued.....		180,000	
TOTAL OTHER FINANCING SOURCES (USES).....		180,000	
NET CHANGE IN FUND BALANCES.....		(238,671)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		(135,103)	
Outstanding Encumbrances at Beginning of Fiscal Year		160,996	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ (212,778)	

**MENTAL HEALTH/MENTAL RETARDATION
FACILITIES IMPROVEMENTS**

BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ 154	
	1,206	
	149	
	1,509	
\$ 106,496	37,146	\$ 69,350
\$ 106,496	37,146	\$ 69,350
	(35,637)	
	29,835	
	29,835	
	(5,802)	
	(13,863)	
	20,511	
	\$ 846	

PARKS AND RECREATION IMPROVEMENTS

BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —	
	575	
	282	
	857	
\$ 75,867	18,573	\$ 57,294
\$ 75,867	18,573	\$ 57,294
	(17,716)	
	—	
	—	
	(17,716)	
	5,214	
	8,324	
	\$ (4,178)	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)
(continued)

ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS			
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Sales, Services and Charges.....		\$ —	
Investment Income		1,457	
Other		11	
TOTAL REVENUES.....		1,468	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 160,684	53,531	\$ 107,153
TOTAL BUDGETARY EXPENDITURES.....	\$ 160,684	53,531	\$ 107,153
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(52,063)	
OTHER FINANCING SOURCES (USES):			
Bonds Issued.....		41,317	
TOTAL OTHER FINANCING SOURCES (USES).....		41,317	
NET CHANGE IN FUND BALANCES.....		(10,746)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		(15,023)	
Outstanding Encumbrances at Beginning of Fiscal Year		30,246	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 4,477	

YOUTH SERVICES BUILDING IMPROVEMENTS

ADULT CORRECTIONAL BUILDING IMPROVEMENTS

BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ —	
	226			1,630	
	—			1	
	226			1,631	
\$ 39,342	11,217	\$ 28,125	\$ 177,768	51,761	\$ 126,007
\$ 39,342	11,217	\$ 28,125	\$ 177,768	51,761	\$ 126,007
	(10,991)			(50,130)	
	20,856			—	
	20,856			—	
	9,865			(50,130)	
	(3,571)			10,965	
	9,592			30,970	
\$ 15,886			\$ (8,195)		

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

	HIGHWAY SAFETY BUILDING IMPROVEMENTS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Sales, Services and Charges.....		\$ —	
Investment Income		82	
Other		—	
TOTAL REVENUES.....		82	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 4,850	1,987	\$ 2,863
TOTAL BUDGETARY EXPENDITURES.....	\$ 4,850	1,987	\$ 2,863
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(1,905)	
OTHER FINANCING SOURCES (USES):			
Bonds Issued.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		—	
NET CHANGE IN FUND BALANCES.....		(1,905)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		864	
Outstanding Encumbrances at Beginning of Fiscal Year		1,368	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 327	

OHIO PARKS AND NATURAL RESOURCES			HIGHWAY CAPITAL IMPROVEMENT		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ —	
	451			4,845	
	87			—	
	<u>538</u>			<u>4,845</u>	
\$ 69,052	25,809	\$ 43,243	\$ 646,497	423,909	\$ 222,588
<u>\$ 69,052</u>	<u>25,809</u>	<u>\$ 43,243</u>	<u>\$ 646,497</u>	<u>423,909</u>	<u>\$ 222,588</u>
	<u>(25,271)</u>			<u>(419,064)</u>	
	30,252			190,000	
	<u>30,252</u>			<u>190,000</u>	
	4,981			(229,064)	
	491			(69,017)	
	<u>13,435</u>			<u>207,218</u>	
	<u>\$ 18,907</u>			<u>\$ (90,863)</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

	TOTAL		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Sales, Services and Charges.....		\$ 154	
Investment Income		17,070	
Other		530	
TOTAL REVENUES.....		17,754	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 1,723,232	1,049,202	\$ 674,030
TOTAL BUDGETARY EXPENDITURES.....	\$ 1,723,232	1,049,202	\$ 674,030
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(1,031,448)	
OTHER FINANCING SOURCES (USES):			
Bonds Issued.....		492,260	
TOTAL OTHER FINANCING SOURCES (USES).....		492,260	
NET CHANGE IN FUND BALANCES.....		(539,188)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		(219,043)	
Outstanding Encumbrances at Beginning of Fiscal Year		482,660	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ (275,571)	

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services.

The **Ohio Building Authority Fund** accounts for the Authority's local government office building lease operations and for the maintenance of all government office buildings owned or leased by the Authority.

The **Tuition Trust Authority Fund** accounts for the operations of the Ohio Tuition Trust Authority, including the sale of tuition credits under its guaranteed return option program.

The **Liquor Control Fund** accounts for the State's liquor sales operations of the Ohio Department of Commerce's Division of Liquor Control.

The **Underground Parking Garage Fund** accounts for the operations of the State's underground parking facilities at Capitol Square in Columbus.

The **Office of Auditor of State Fund** accounts for the operations of the Ohio Auditor of State's Office, which provides government audit and management advisory services to Ohio's public offices.

STATE OF OHIO
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS – ENTERPRISE
JUNE 30, 2007
(dollars in thousands)

	OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ 323	\$ 31,044
Cash and Cash Equivalents.....	447	1,515	11,154
Collateral on Lent Securities.....	—	261	17,421
Restricted Assets:			
Investments.....	29,457	82,500	—
Intergovernmental Receivable.....	—	—	—
Interfund Receivable.....	290	—	—
Other Receivables.....	3,828	5,340	31
Inventories.....	—	—	37,467
Other Assets.....	372	1,239	72
TOTAL CURRENT ASSETS.....	34,394	91,178	97,189
NONCURRENT ASSETS:			
Restricted Assets:			
Investments.....	—	735,218	—
Investments.....	—	78,262	—
Interfund Receivable.....	—	—	—
Capital Assets Being Depreciated, Net.....	—	322	1,949
TOTAL NONCURRENT ASSETS.....	—	813,802	1,949
TOTAL ASSETS.....	34,394	904,980	99,138
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	3,187	—	27,651
Accrued Liabilities.....	15	1,054	993
Obligations Under Securities Lending.....	—	261	17,421
Intergovernmental Payable.....	—	—	437
Interfund Payable.....	—	—	2,992
Unearned Revenue.....	—	—	—
Benefits Payable.....	—	82,500	—
Refund and Other Liabilities.....	138	243	3,007
Bonds and Notes Payable.....	2,664	—	—
TOTAL CURRENT LIABILITIES.....	6,004	84,058	52,501
NONCURRENT LIABILITIES:			
Interfund Payable.....	—	—	2,229
Benefits Payable.....	—	788,500	—
Refund and Other Liabilities.....	—	—	1,785
TOTAL NONCURRENT LIABILITIES.....	—	788,500	4,014
TOTAL LIABILITIES.....	6,004	872,558	56,515
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	—	322	1,949
Unrestricted	28,390	32,100	40,674
TOTAL NET ASSETS.....	\$ 28,390	\$ 32,422	\$ 42,623

UNDERGROUND PARKING GARAGE	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
\$ 590	\$ 14,284	\$ 46,241
—	—	13,116
331	—	18,013
—	—	111,957
—	6,201	6,201
—	1,642	1,932
2	26	9,227
—	—	37,467
6	210	1,899
929	22,363	246,053
—	—	735,218
—	—	78,262
—	7,686	7,686
6,528	2,626	11,425
6,528	10,312	832,591
7,457	32,675	1,078,644
27	610	31,475
95	3,839	5,996
331	—	18,013
—	—	437
4	—	2,996
8	—	8
—	—	82,500
24	956	4,368
—	—	2,664
489	5,405	148,457
191	7,686	10,106
—	—	788,500
153	7,445	9,383
344	15,131	807,989
833	20,536	956,446
6,528	2,604	11,403
96	9,535	110,795
\$ 6,624	\$ 12,139	\$ 122,198

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS NONMAJOR PROPRIETARY FUNDS – ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2007 (dollars in thousands)

	OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL
OPERATING REVENUES:			
Charges for Sales and Services.....	\$ 24,533	\$ 10,924	\$ 638,342
Investment Income.....	—	116,833	—
Other.....	1,585	224,919	1,322
TOTAL OPERATING REVENUES.....	26,118	352,676	639,664
OPERATING EXPENSES:			
Costs of Sales and Services.....	24,090	—	385,370
Administration.....	2,433	10,054	57,673
Benefits and Claims.....	—	81,334	—
Depreciation.....	—	28	411
Other.....	1,400	—	665
TOTAL OPERATING EXPENSES.....	27,923	91,416	444,119
OPERATING INCOME (LOSS).....	(1,805)	261,260	195,545
NONOPERATING REVENUES (EXPENSES):			
Investment Income.....	1,463	—	—
Interest Expense.....	(265)	—	—
Federal Grants.....	—	—	—
Other.....	—	—	—
TOTAL NONOPERATING REVENUES (EXPENSES).....	1,198	—	—
INCOME (LOSS) BEFORE TRANSFERS.....	(607)	261,260	195,545
TRANSFERS:			
Transfers-in.....	17,997	—	—
Transfers-out.....	(17,041)	—	(178,584)
TOTAL TRANSFERS.....	956	—	(178,584)
NET INCOME (LOSS).....	349	261,260	16,961
NET ASSETS (DEFICITS), JULY 1	28,041	(228,838)	25,662
NET ASSETS, JUNE 30.....	\$ 28,390	\$ 32,422	\$ 42,623

UNDERGROUND PARKING GARAGE	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
\$ 2,768	\$ 41,490	\$ 718,057
—	—	116,833
—	393	228,219
2,768	41,883	1,063,109
—	65,260	474,720
1,891	7,636	79,687
—	—	81,334
622	1,459	2,520
6	25	2,096
2,519	74,380	640,357
249	(32,497)	422,752
25	—	1,488
—	—	(265)
—	48	48
—	(107)	(107)
25	(59)	1,164
274	(32,556)	423,916
—	31,853	49,850
(757)	—	(196,382)
(757)	31,853	(146,532)
(483)	(703)	277,384
7,107	12,842	(155,186)
\$ 6,624	\$ 12,139	\$ 122,198

STATE OF OHIO
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS – ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)

	OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ 25,522	\$ —	\$ 638,651
Cash Received from Interfund Services Provided.....	1,240	—	2
Other Operating Cash Receipts.....	1,521	9,071	1,318
Cash Payments to Suppliers for Goods and Services.....	(27,711)	(1,064)	(421,925)
Cash Payments to Employees for Services.....	(1,217)	(6,774)	(17,792)
Cash Payments for Interfund Services Used.....	—	(73)	(1,708)
Other Operating Cash Payments.....	—	(80,281)	(269)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	(645)	(79,121)	198,277
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	17,997	—	—
Transfers-out	(17,041)	—	(178,584)
Federal Grants.....	—	—	—
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....	956	—	(178,584)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases.....	(4,653)	—	—
Interest Paid	(149)	—	—
Acquisition and Construction of Capital Assets	—	(156)	(1,216)
Principal Receipts on Capital Leases Receivable.....	4,373	—	—
Proceeds from Sales of Capital Assets	—	71	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....	(429)	(85)	(1,216)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments.....	(70,806)	(1,202,209)	—
Proceeds from the Sales and Maturities of Investments	69,397	1,253,914	—
Investment Income Received	1,458	26,582	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....	49	78,287	—
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS.....	(69)	(919)	18,477
CASH AND CASH EQUIVALENTS, JULY 1.....	516	2,757	23,721
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 447	\$ 1,838	\$ 42,198

UNDERGROUND PARKING GARAGE	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
\$ 1,999	\$ 44,457	\$ 710,629
766	—	2,008
—	466	12,376
(594)	(7,456)	(458,750)
(1,396)	(64,340)	(91,519)
(41)	—	(1,822)
(1)	(32)	(80,583)
733	(26,905)	92,339
—	31,712	49,709
(757)	—	(196,382)
—	58	58
(757)	31,770	(146,615)
—	(12)	(4,665)
—	(2)	(151)
(222)	(937)	(2,531)
—	—	4,373
—	18	89
(222)	(933)	(2,885)
—	—	(1,273,015)
—	—	1,323,311
25	—	28,065
25	—	78,361
(221)	3,932	21,200
811	10,352	38,157
\$ 590	\$ 14,284	\$ 59,357

(continued)

STATE OF OHIO
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS – ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

	OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss).....	\$ (1,805)	\$ 261,260	\$ 195,545
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	—	(116,833)	—
Depreciation	—	28	411
Amortization of Premiums and Discounts.....	487	—	—
Decrease (Increase) in Assets:			
Intergovernmental Receivable.....	—	—	—
Interfund Receivable.....	—	—	—
Other Receivables	(47)	(403)	(14)
Inventories	—	—	(1,054)
Other Assets	113	—	60
Increase (Decrease) in Liabilities:			
Accounts Payable	591	—	3,902
Accrued Liabilities.....	—	1,484	34
Intergovernmental Payable.....	—	—	3
Interfund Payable.....	—	—	(1)
Unearned Revenue.....	—	—	—
Benefits Payable.....	—	(224,900)	—
Refund and Other Liabilities.....	16	243	(609)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ (645)	\$ (79,121)	\$ 198,277
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Contributions of Capital Assets from Other Funds.....	\$ —	\$ —	\$ —
Capital Assets Acquired under Capital Leases.....	—	—	—

UNDERGROUND PARKING GARAGE	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
\$ 249	\$ (32,497)	\$ 422,752
—	—	(116,833)
623	1,459	2,521
—	—	487
—	2,799	2,799
—	(43)	(43)
(2)	(26)	(492)
—	—	(1,054)
3	181	357
(74)	88	4,507
23	275	1,816
—	—	3
(141)	7,686	7,544
(2)	—	(2)
—	—	(224,900)
54	(6,827)	(7,123)
\$ 733	\$ (26,905)	\$ 92,339

\$ —	\$ 100	\$ 100
—	21	21

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AGENCY FUNDS

Agency Funds account for resources the State holds in a purely custodial capacity (assets equal liabilities) for individuals, private organizations, or other governments.

The **Holding and Distribution Fund** accounts for assets held until such time that a determination has been made to refund amounts to the individuals, private organizations, or other governments.

The **Centralized Child Support Collections Fund** accounts for assets temporarily held for custodial parents.

The **Retirement Systems Fund** accounts for assets held in the custody of the Treasurer of State for the Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio. While legal custodian, the Treasurer of State does not manage or provide investment services to the foregoing retirement systems.

The **Payroll Withholding and Fringe Benefits Fund** primarily accounts for assets held to liquidate the State's payroll withholding obligations.

The **Other Fund** accounts for assets held for others, which are not accounted for in another agency fund.

STATE OF OHIO

COMBINING STATEMENT OF ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2007

(dollars in thousands)

	HOLDING AND DISTRIBUTION	CENTRALIZED CHILD SUPPORT COLLECTIONS	RETIREMENT SYSTEMS
ASSETS:			
Cash Equity with Treasurer.....	\$ 33,867	\$ —	\$ —
Cash and Cash Equivalents.....	2	52,469	—
Investments (at fair value):			
U.S. Government and Agency Obligations.....	—	—	11,443,008
Common and Preferred Stock.....	—	—	72,720,274
Corporate Bonds and Notes.....	—	—	12,913,738
Foreign Stocks and Bonds.....	—	—	40,621,383
Commercial Paper.....	—	—	3,556,005
Repurchase Agreements.....	—	—	27,500
Mutual Funds.....	—	—	2,629,663
Real Estate.....	—	—	14,055,459
Venture Capital.....	—	—	4,800,095
Direct Mortgage Loans.....	—	—	17,046,045
Investment Contracts.....	—	—	42,953
Partnership and Hedge Funds.....	—	—	1,240,954
State Treasury Asset Reserve of Ohio (STAR Ohio).....	—	9,102	—
Collateral on Lent Securities.....	19,005	—	—
Other Receivables.....	1,485	—	—
Other Assets.....	—	—	—
TOTAL ASSETS.....	\$ 54,359	\$ 61,571	\$ 181,097,077
LIABILITIES:			
Obligations Under Securities Lending.....	\$ 19,005	\$ —	\$ —
Intergovernmental Payable.....	17,170	—	—
Refund and Other Liabilities.....	18,184	61,571	181,097,077
TOTAL LIABILITIES.....	\$ 54,359	\$ 61,571	\$ 181,097,077

PAYROLL WITHHOLDING AND FRINGE BENEFITS	OTHER	TOTAL
\$ 104,927	\$ 134,456	\$ 273,250
8,110	84,591	145,172
—	—	11,443,008
—	—	72,720,274
—	—	12,913,738
—	—	40,621,383
—	—	3,556,005
82	—	27,582
—	—	2,629,663
—	—	14,055,459
—	—	4,800,095
—	—	17,046,045
—	—	42,953
—	—	1,240,954
—	26,267	35,369
58,826	75,450	153,281
—	13	1,498
—	442,229	442,229
\$ 171,945	\$ 763,006	\$ 182,147,958
\$ 58,826	\$ 75,450	\$ 153,281
359	132,504	150,033
112,760	555,052	181,844,644
\$ 171,945	\$ 763,006	\$ 182,147,958

STATE OF OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

	BALANCE July 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE June 30, 2007
HOLDING AND DISTRIBUTION				
ASSETS				
Cash Equity with Treasurer	\$ 14,542	\$ 1,393,919	\$ 1,374,594	\$ 33,867
Cash and Cash Equivalents	1	19,719	19,718	2
Collateral on Lent Securities	8,225	19,005	8,225	19,005
Other Receivables	1,489	1,485	1,489	1,485
Total Assets	<u>\$ 24,257</u>	<u>\$ 1,434,128</u>	<u>\$ 1,404,026</u>	<u>\$ 54,359</u>
LIABILITIES				
Obligations Under Securities Lending.....	\$ 8,225	\$ 19,005	\$ 8,225	\$ 19,005
Intergovernmental Payable	6,006	55,831	44,667	17,170
Refund and Other Liabilities	10,026	988,509	980,351	18,184
Total Liabilities	<u>\$ 24,257</u>	<u>\$ 1,063,345</u>	<u>\$ 1,033,243</u>	<u>\$ 54,359</u>
CENTRALIZED CHILD SUPPORT COLLECTIONS				
ASSETS				
Cash and Cash Equivalents	\$ 61,810	\$ 2,055,258	\$ 2,064,599	\$ 52,469
Investments.....	8,860	242	—	9,102
Total Assets	<u>\$ 70,670</u>	<u>\$ 2,055,500</u>	<u>\$ 2,064,599</u>	<u>\$ 61,571</u>
LIABILITIES				
Refund and Other Liabilities	\$ 70,670	\$ 2,055,500	\$ 2,064,599	\$ 61,571
Total Liabilities	<u>\$ 70,670</u>	<u>\$ 2,055,500</u>	<u>\$ 2,064,599</u>	<u>\$ 61,571</u>
RETIREMENT SYSTEMS				
ASSETS				
Investments	\$ 157,171,453	\$ 470,713,800	\$ 446,788,176	\$ 181,097,077
Total Assets	<u>\$ 157,171,453</u>	<u>\$ 470,713,800</u>	<u>\$ 446,788,176</u>	<u>\$ 181,097,077</u>
LIABILITIES				
Refund and Other Liabilities:				
Liability to:				
Public Employees Retirement System	\$ 69,166,947	\$ 328,094,014	\$ 319,449,755	\$ 77,811,206
Police and Fire Pension Fund.....	10,617,864	19,969,981	18,755,535	11,832,310
School Employees Retirement System	9,998,609	59,012,488	57,156,775	11,854,322
State Teachers Retirement System	67,388,033	63,637,317	51,426,111	79,599,239
Total Liabilities	<u>\$ 157,171,453</u>	<u>\$ 470,713,800</u>	<u>\$ 446,788,176</u>	<u>\$ 181,097,077</u>

	BALANCE July 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE June 30, 2007
PAYROLL WITHHOLDING AND FRINGE BENEFITS				
ASSETS				
Cash Equity with Treasurer	\$ 125,990	\$ 2,620,122	\$ 2,641,185	\$ 104,927
Cash and Cash Equivalents	12,743	360,650	365,283	8,110
Investments.....	53	82	53	82
Collateral on Lent Securities.....	71,257	58,826	71,257	58,826
Other Receivables.....	—	12,994	12,994	—
Total Assets	<u>\$ 210,043</u>	<u>\$ 3,052,674</u>	<u>\$ 3,090,772</u>	<u>\$ 171,945</u>
LIABILITIES				
Obligations Under Securities Lending.....	\$ 71,257	\$ 58,826	\$ 71,257	\$ 58,826
Intergovernmental Payable	357	453,424	453,422	359
Refund and Other Liabilities	138,429	1,814,584	1,840,253	112,760
Total Liabilities	<u>\$ 210,043</u>	<u>\$ 2,326,834</u>	<u>\$ 2,364,932</u>	<u>\$ 171,945</u>
OTHER				
ASSETS				
Cash Equity with Treasurer	\$ 100,623	\$ 2,113,062	\$ 2,079,229	\$ 134,456
Cash and Cash Equivalents.....	35,487	28,821,892	28,772,788	84,591
Investments	24,936	1,742	411	26,267
Collateral on Lent Securities.....	56,910	75,450	56,910	75,450
Other Receivables	10,472	184	10,643	13
Other Assets	424,722	114,216	96,709	442,229
Total Assets	<u>\$ 653,150</u>	<u>\$ 31,126,546</u>	<u>\$ 31,016,690</u>	<u>\$ 763,006</u>
LIABILITIES				
Obligations Under Securities Lending.....	\$ 56,910	\$ 75,450	\$ 56,910	\$ 75,450
Intergovernmental Payable	99,258	2,097,256	2,064,010	132,504
Refund and Other Liabilities	496,982	28,951,945	28,893,875	555,052
Total Liabilities	<u>\$ 653,150</u>	<u>\$ 31,124,651</u>	<u>\$ 31,014,795</u>	<u>\$ 763,006</u>
TOTAL AGENCY				
ASSETS				
Cash Equity with Treasurer.....	\$ 241,155	\$ 6,127,103	\$ 6,095,008	\$ 273,250
Cash and Cash Equivalents.....	110,041	31,257,519	31,222,388	145,172
Investments	157,205,302	470,715,866	446,788,640	181,132,528
Collateral on Lent Securities.....	136,392	153,281	136,392	153,281
Other Receivables	11,961	14,663	25,126	1,498
Other Assets	424,722	114,216	96,709	442,229
Total Assets	<u>\$ 158,129,573</u>	<u>\$ 508,382,648</u>	<u>\$ 484,364,263</u>	<u>\$ 182,147,958</u>
LIABILITIES				
Obligations Under Securities Lending.....	\$ 136,392	\$ 153,281	\$ 136,392	\$ 153,281
Intergovernmental Payable	105,621	2,606,511	2,562,099	150,033
Refund and Other Liabilities	157,887,560	504,524,338	480,567,254	181,844,644
Total Liabilities	<u>\$ 158,129,573</u>	<u>\$ 507,284,130</u>	<u>\$ 483,265,745</u>	<u>\$ 182,147,958</u>

NONMAJOR DISCRETELY PRESENTED COMPONENT UNIT FUNDS

Nonmajor Discretely Presented Component Unit Funds account for the financial activities of the State of Ohio's component units, organizations that are legally separate from the State's primary government and for which the primary government is financially accountable.

The **Cultural Facilities Commission Fund** accounts for the Cultural Facilities Commission's operations, including the construction of cultural arts and sports facilities at the state and local level.

The **eTech Ohio Commission Fund** accounts for the eTech Ohio Commission's operations, including programs designed to assist Ohio's public schools acquire and maximize the use of educational technology.

The **Ohio Air Quality Development Authority Fund** accounts for the Ohio Air Quality Development Authority's operations, including programs that assist Ohio's businesses, government agencies, and not-for-profit organizations with financing projects that increase energy efficiency and reduce air pollution. The Authority's financial statements are presented for the fiscal year ended December 31, 2005.

The **Ohio University Fund** accounts for the operations of Ohio University and the Ohio University Foundation. The university is located in Athens, Ohio.

The **Miami University Fund** accounts for the operations of Miami University and the Miami University Foundation. The university is located in Oxford, Ohio.

The **University of Akron Fund** accounts for the operations of the University of Akron, the University of Akron Foundation, and the University of Akron Research Foundation.

The **Bowling Green State University Fund** accounts for the operations of Bowling Green State University and the Bowling Green State University Foundation.

The **Kent State University Fund** accounts for the operations of Kent State University and the Kent State University Foundation.

The **University of Toledo Fund** accounts for the operations of the University of Toledo, the University of Toledo Foundation and the Medical University of Ohio at Toledo Foundation (the foundations), and the University of Toledo Clinical Faculty, Inc.

The **Cleveland State University Fund** accounts for the operations of Cleveland State University, the Cleveland State University Foundation, and the Euclid Avenue Housing Corporation.

The **Youngstown State University Fund** accounts for the operations of Youngstown State University, the Youngstown State University Foundation, and the University Housing Corporation.

The **Wright State University Fund** accounts for the operations of Wright State University and the Wright State University Foundation. The university is located in Dayton, Ohio.

The **Shawnee State University Fund** accounts for the operations of Shawnee State University and the Shawnee State University Development Foundation. The university is located in Portsmouth, Ohio.

The **Central State University Fund** accounts for the operations of Central State University and the Central State University Foundation. The university is located in Wilberforce, Ohio with a branch campus in Dayton, Ohio.

The **Terra State Community College Fund** accounts for the operations of Terra State Community College and Terra College Foundation. The college is located in Fremont, Ohio.

The **Columbus State Community College Fund** accounts for the operations of Columbus State Community College and the Columbus State Community College Development Foundation, Inc.

The **Clark State Community College Fund** accounts for the operations of Clark State Community College and the Clark State Community College Foundation. The college is located in Springfield, Ohio.

The **Edison State Community College Fund** accounts for the operations of Edison State Community College and the Edison Foundation, Inc. The college is located in Piqua, Ohio.

The **Southern State Community College Fund** accounts for the operations of Southern State Community College and the Southern State Community College Foundation. The college is located in Hillsboro, Ohio.

The **Washington State Community College Fund** accounts for the operations of Washington State Community College and the Washington State Foundation. The college is located in Marietta, Ohio.

The **Cincinnati State Community College Fund** accounts for the operations of Cincinnati State Community College.

The **Northwest State Community College Fund** accounts for the operations of Northwest State Community College and the Northwest State Community College Foundation. The college is located in Archbold, Ohio.

The **Owens State Community College Fund** accounts for the operations of Owens State Community College and the Owens State Community College Foundation. The college is located in Toledo, Ohio with a branch campus in Findlay, Ohio.

STATE OF OHIO

COMBINING STATEMENT OF NET ASSETS

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 2007

(dollars in thousands)

	CULTURAL FACILITIES COMMISSION	eTECH OHIO COMMISSION	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (as of 12/31/06)
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 2,271	\$ 7,290	\$ 6,979
Cash and Cash Equivalents.....	—	—	4,271
Investments.....	—	—	—
Collateral on Lent Securities.....	1,274	4,091	—
Intergovernmental Receivable.....	—	—	35
Loans Receivable, Net.....	—	—	—
Receivable from Primary Government.....	—	1,382	—
Other Receivables.....	—	—	121
Inventories.....	—	—	—
Other Assets.....	2	1	6
TOTAL CURRENT ASSETS.....	3,547	12,764	11,412
NONCURRENT ASSETS:			
Restricted Assets:			
Cash Equity with Treasurer.....	22,336	—	—
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Collateral on Lent Securities.....	12,534	—	—
Investments.....	—	—	—
Loans Receivable, Net.....	—	—	—
Other Receivables.....	—	—	—
Other Assets.....	—	—	—
Capital Assets Being Depreciated, Net.....	44,534	3,033	18
Capital Assets Not Being Depreciated.....	11,858	—	—
TOTAL NONCURRENT ASSETS.....	91,262	3,033	18
TOTAL ASSETS.....	94,809	15,797	11,430
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	1,318	1,505	45
Accrued Liabilities.....	46	359	102
Obligations Under Securities Lending.....	13,808	4,091	—
Intergovernmental Payable.....	—	—	2
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	5	71	40
Bonds and Notes Payable.....	—	—	—
Certificates of Participation.....	—	—	—
TOTAL CURRENT LIABILITIES.....	15,177	6,026	189
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	61	589	—
Bonds and Notes Payable.....	—	—	—
Certificates of Participation.....	—	—	—
TOTAL NONCURRENT LIABILITIES.....	61	589	—
TOTAL LIABILITIES.....	15,238	6,615	189
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	56,392	3,033	18
Restricted for:			
Federal Programs.....	—	19	—
Coal Research and Development Program.....	—	—	4,130
Community and Economic Development and Capital Purposes.....	22,336	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Unrestricted.....	843	6,130	7,093
TOTAL NET ASSETS.....	\$ 79,571	\$ 9,182	\$ 11,241

OHIO UNIVERSITY	MIAMI UNIVERSITY	UNIVERSITY OF AKRON	BOWLING GREEN STATE UNIVERSITY	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
42,967	75,907	9,274	2,584	150,641	20,511
200,334	205,524	130,132	176,624	121,863	87,566
—	—	—	—	—	—
14,390	3,398	—	—	3,606	10,946
3,365	3,206	2,096	1,399	—	14,503
7,537	8,212	—	996	3,131	—
30,184	24,910	30,539	21,775	21,196	89,484
1,978	4,199	951	4,668	1,721	7,150
17,288	1,065	4,237	665	3,200	4,530
318,043	326,421	177,229	208,711	305,358	234,690
—	—	—	—	—	—
17,737	3,120	—	—	—	194
—	—	—	125,182	—	184,317
—	—	—	—	—	—
138,324	400,398	220,331	—	222,125	158,008
11,650	5,638	8,805	7,359	21,972	11,795
12,675	37,617	3,366	8,225	7,290	17,783
7,779	—	1,639	1,594	3,285	16,791
527,509	528,412	441,086	292,139	511,472	452,321
57,669	75,396	73,992	18,601	45,745	61,908
773,343	1,050,581	749,219	453,100	811,889	903,117
1,091,386	1,377,002	926,448	661,811	1,117,247	1,137,807
—	—	—	—	—	—
16,766	21,260	11,863	7,210	15,226	31,545
26,579	16,956	20,899	10,379	22,199	39,150
—	—	—	—	—	—
—	—	—	—	—	—
24,523	14,607	25,958	15,474	16,356	18,371
10,049	10,856	2,672	6,640	10,716	24,763
21,593	7,326	7,649	9,594	2,825	4,298
—	—	295	—	—	—
99,510	71,005	69,336	49,297	67,322	118,127
—	—	—	8,319	—	—
—	2,530	—	—	1,933	—
27,313	29,272	29,522	7,737	29,770	22,051
195,391	236,480	216,447	83,926	264,315	260,171
—	—	21,290	—	—	—
222,704	268,282	267,259	99,982	296,018	282,222
322,214	339,287	336,595	149,279	363,340	400,349
389,924	427,469	274,937	238,646	288,263	342,193
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
56,224	—	—	36,465	—	7,241
498	—	—	1,504	750	—
81,602	257,641	122,133	—	50,499	65,331
—	—	—	27,671	10,077	3,798
46,145	28,751	—	16,885	—	30,700
5,006	1,628	—	951	—	5,516
38,308	9,052	—	607	—	7,921
4,737	1,627	—	—	—	—
10,670	21,600	—	—	70,193	13,646
—	—	—	—	—	7,908
8,329	6,178	24,940	16,603	—	737
14,682	—	—	—	—	63,798
16,060	449	84,751	—	—	27,132
8,126	75,130	584	23,314	24,341	22,851
88,861	208,190	82,508	149,886	309,784	138,686
\$ 769,172	\$ 1,037,715	\$ 589,853	\$ 512,532	\$ 753,907	\$ 737,458

(continued)

STATE OF OHIO
COMBINING STATEMENT OF NET ASSETS
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2007
(dollars in thousands)
(continued)

	CLEVELAND STATE UNIVERSITY	YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	13,361	19,765	21,632
Investments.....	13,219	9,861	6,373
Collateral on Lent Securities.....	—	—	—
Intergovernmental Receivable.....	—	1,186	5,401
Loans Receivable, Net.....	2,117	597	2,813
Receivable from Primary Government.....	1,035	1,987	6,416
Other Receivables.....	15,807	11,246	16,589
Inventories.....	263	1,972	822
Other Assets.....	1,832	1,082	17,019
TOTAL CURRENT ASSETS.....	47,634	47,696	77,065
NONCURRENT ASSETS:			
Restricted Assets:			
Cash Equity with Treasurer.....	—	—	—
Cash and Cash Equivalents.....	—	—	—
Investments.....	86,482	165,459	778
Collateral on Lent Securities.....	—	—	—
Investments.....	123,555	29,620	215,358
Loans Receivable, Net.....	11,113	1,830	18,158
Other Receivables.....	5,326	6,369	7,360
Other Assets.....	3,707	547	849
Capital Assets Being Depreciated, Net.....	267,379	156,561	239,260
Capital Assets Not Being Depreciated.....	82,478	15,720	37,215
TOTAL NONCURRENT ASSETS.....	580,040	376,106	518,978
TOTAL ASSETS.....	627,674	423,802	596,043
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	9,221	1,673	9,831
Accrued Liabilities.....	6,081	7,246	11,609
Obligations Under Securities Lending.....	—	—	—
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	8,447	5,214	35,186
Refund and Other Liabilities.....	14,419	3,702	12,122
Bonds and Notes Payable.....	4,066	1,863	3,667
Certificates of Participation.....	—	—	—
TOTAL CURRENT LIABILITIES.....	42,234	19,698	72,415
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	23,102	11,505	10,711
Bonds and Notes Payable.....	192,443	39,634	34,735
Certificates of Participation.....	—	—	—
TOTAL NONCURRENT LIABILITIES.....	215,545	51,139	45,446
TOTAL LIABILITIES.....	257,779	70,837	117,861
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	242,380	135,819	238,894
Restricted for:			
Federal Programs.....	—	—	—
Coal Research and Development Program.....	—	—	—
Community and Economic Development and Capital Purposes.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	9,520
Research.....	—	—	1,428
Endowments and Quasi-Endowments.....	27,333	5,668	—
Loans, Grants and Other College and University Purposes.....	—	36,607	15,825
Expendable:			
Scholarships and Fellowships.....	7,170	3,084	18,539
Research.....	251	224	4,387
Instructional Department Uses.....	5,316	2,635	52,602
Student and Public Services.....	5,398	780	1,042
Academic Support.....	3,356	71	1,136
Debt Service.....	—	18	249
Capital Purposes.....	387	11,728	—
Endowments and Quasi-Endowments.....	243	2,084	—
Current Operations.....	—	547	—
Loans, Grants and Other College and University Purposes.....	13,528	757	28,452
Unrestricted.....	64,533	152,943	106,108
TOTAL NET ASSETS.....	\$ 369,895	\$ 352,965	\$ 478,182

SHAWNEE STATE UNIVERSITY	CENTRAL STATE UNIVERSITY	TERRA STATE COMMUNITY COLLEGE	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE	EDISON STATE COMMUNITY COLLEGE
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
4,825	8,557	3,562	9,552	3,496	2,085
19,037	3,750	1,944	99,119	16,548	3,681
—	—	—	—	—	—
59	731	185	—	1,007	—
57	80	48	1	129	—
2,575	2,977	205	283	900	—
46	—	1,742	12,889	1,985	5,008
184	40	327	2,066	233	214
—	—	45	623	283	189
26,783	16,135	8,058	124,533	24,581	11,177
—	—	—	—	—	—
1,279	3,841	—	43	—	800
12,706	—	—	1,949	—	2,028
—	—	—	—	—	—
17,303	—	1,950	—	—	400
—	—	—	—	—	9
1,144	—	—	—	2,942	1,738
1,779	44	—	307	165	—
47,856	79,504	16,696	109,289	19,048	17,030
21,227	405	302	30,403	15,062	1,466
103,294	83,794	18,948	141,991	37,217	23,471
130,077	99,929	27,006	266,524	61,798	34,648
655	1,745	277	5,846	1,799	337
1,776	2,764	509	1,038	795	683
—	—	—	—	—	—
—	—	—	—	—	—
1,184	1,450	394	11,208	1,045	3,056
1,251	414	676	2,659	206	—
1,785	511	—	2,120	—	3,716
—	—	—	—	—	—
6,651	6,884	1,856	22,871	3,845	7,792
—	—	—	—	—	—
—	—	—	—	—	—
1,912	1,557	426	2,903	807	854
17,765	21,477	—	17,710	8,175	4,218
—	—	—	—	—	—
19,677	23,034	426	20,613	8,982	5,072
26,328	29,918	2,282	43,484	12,827	12,864
67,533	61,408	16,734	124,712	25,929	13,894
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
2,308	1,376	—	3,147	—	—
—	—	—	—	—	—
295	302	911	—	7,349	83
3,845	128	—	—	—	—
1,290	725	442	1,836	3,027	—
—	—	—	—	—	—
—	—	5	—	2	—
—	—	55	—	717	—
—	549	168	—	—	—
576	—	—	—	—	—
—	—	967	2	5,115	—
1,231	1,247	—	—	—	277
4,901	—	—	—	—	4,158
2,758	1,048	—	—	—	—
19,012	3,228	5,442	93,343	6,832	3,372
\$ 103,749	\$ 70,011	\$ 24,724	\$ 223,040	\$ 48,971	\$ 21,784

(continued)

STATE OF OHIO
COMBINING STATEMENT OF NET ASSETS
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2007
(dollars in thousands)
(continued)

	SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE	CINCINNATI STATE COMMUNITY COLLEGE
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	5,454	3,245	15,370
Investments.....	—	—	—
Collateral on Lent Securities.....	—	—	—
Intergovernmental Receivable.....	—	942	1,195
Loans Receivable, Net.....	—	—	—
Receivable from Primary Government.....	25	—	1
Other Receivables.....	1,442	2,378	5,154
Inventories.....	238	160	65
Other Assets.....	58	24	818
TOTAL CURRENT ASSETS.....	7,217	6,749	22,603
NONCURRENT ASSETS:			
Restricted Assets:			
Cash Equity with Treasurer.....	—	—	—
Cash and Cash Equivalents.....	—	—	7
Investments.....	1,535	394	—
Collateral on Lent Securities.....	—	—	—
Investments.....	—	—	—
Loans Receivable, Net.....	—	—	37
Other Receivables.....	—	—	—
Other Assets.....	—	—	417
Capital Assets Being Depreciated, Net.....	16,332	16,607	89,827
Capital Assets Not Being Depreciated.....	815	980	2,583
TOTAL NONCURRENT ASSETS.....	18,682	17,981	92,871
TOTAL ASSETS.....	25,899	24,730	115,474
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable.....	—	222	1,622
Accrued Liabilities.....	435	845	654
Obligations Under Securities Lending.....	—	—	—
Intergovernmental Payable.....	—	21	—
Unearned Revenue.....	653	1,837	2,843
Refund and Other Liabilities.....	167	65	4,952
Bonds and Notes Payable.....	105	—	201
Certificates of Participation.....	—	—	—
TOTAL CURRENT LIABILITIES.....	1,360	2,990	10,272
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	56	—
Refund and Other Liabilities.....	611	373	171
Bonds and Notes Payable.....	2,395	—	48,425
Certificates of Participation.....	—	—	—
TOTAL NONCURRENT LIABILITIES.....	3,006	429	48,596
TOTAL LIABILITIES.....	4,366	3,419	58,868
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	14,427	17,587	44,588
Restricted for:			
Federal Programs.....	—	—	—
Coal Research and Development Program.....	—	—	—
Community and Economic Development and Capital Purposes.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	180	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	2,423	—	—
Loans, Grants and Other College and University Purposes.....	—	—	75
Expendable:			
Scholarships and Fellowships.....	88	127	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	38
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	333
Capital Purposes.....	—	946	—
Endowments and Quasi-Endowments.....	—	—	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	1,940	—	—
Unrestricted.....	2,655	2,471	11,572
TOTAL NET ASSETS.....	\$ 21,533	\$ 21,311	\$ 56,606

NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL NONMAJOR COMPONENT UNITS
\$ —	\$ —	\$ 16,540
3,117	14,182	434,358
1,648	11,438	1,108,661
—	—	5,365
—	1,371	43,662
—	7	31,071
386	948	33,581
1,444	19,966	319,411
235	891	28,199
—	1,462	54,653
6,830	50,265	2,075,501
—	—	22,336
560	—	27,581
6	—	580,836
—	—	12,534
2,485	—	1,529,857
—	38	98,404
—	—	111,835
—	—	38,903
13,328	61,342	3,950,583
1,508	11,824	567,157
17,887	73,204	6,940,026
24,717	123,469	9,015,527
921	2,581	143,468
167	3,577	174,848
—	—	17,899
—	—	23
647	15,135	203,588
849	1,809	109,103
—	187	71,506
—	—	295
2,584	23,289	720,730
—	89	8,408
—	—	4,519
31	2,450	203,728
—	215	1,643,922
—	—	21,290
31	2,754	1,881,867
2,615	26,043	2,602,597
14,811	72,764	3,112,355
—	—	19
—	—	4,130
—	—	22,336
566	—	117,027
—	—	4,180
—	956	622,526
—	—	98,026
118	681	159,608
—	—	17,963
19	252	116,757
—	—	14,356
—	—	121,389
—	—	9,084
321	—	76,253
—	—	83,562
—	—	137,998
104	107	203,040
6,163	22,666	1,492,321
\$ 22,102	\$ 97,426	\$ 6,412,930

STATE OF OHIO

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

	CULTURAL FACILITIES COMMISSION	eTECH OHIO COMMISSION	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (for the year ended 12/31/06)
EXPENSES:			
Primary, Secondary and Other Education.....	\$ —	\$ 32,045	\$ —
Community and Economic Development.....	17,859	—	5,244
Education and General:			
Instruction and Departmental Research.....	—	—	—
Separately Budgeted Research.....	—	—	—
Public Service.....	—	—	—
Academic Support.....	—	—	—
Student Services.....	—	—	—
Institutional Support.....	—	—	—
Operation and Maintenance of Plant.....	—	—	—
Scholarships and Fellowships.....	—	—	—
Auxiliary Enterprises.....	—	—	—
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	—	—	—
Depreciation.....	1,339	672	5
Other.....	—	—	—
TOTAL EXPENSES.....	19,198	32,717	5,249
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	99	4,020	1,025
Operating Grants, Contributions and Restricted Investment Income.....	1,286	139	1,054
Capital Grants, Contributions and Restricted Investment Income.....	—	—	—
TOTAL PROGRAM REVENUES.....	1,385	4,159	2,079
NET PROGRAM (EXPENSE) REVENUE	(17,813)	(28,558)	(3,170)
GENERAL REVENUES:			
Unrestricted Investment Income.....	—	—	567
State Assistance.....	25,000	30,758	—
Other.....	—	—	41
TOTAL GENERAL REVENUES.....	25,000	30,758	608
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	—	—
SPECIAL ITEM.....	—	—	—
CHANGE IN NET ASSETS.....	7,187	2,200	(2,562)
NET ASSETS, JULY 1 (as restated).....	72,384	6,982	13,803
NET ASSETS, JUNE 30.....	\$ 79,571	\$ 9,182	\$ 11,241

OHIO UNIVERSITY	MIAMI UNIVERSITY	UNIVERSITY OF AKRON	BOWLING GREEN STATE UNIVERSITY	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
209,840	164,370	115,903	119,780	170,509	171,701
32,796	12,496	21,527	7,694	14,726	41,648
20,997	2,898	15,572	9,038	15,184	5,290
59,918	50,687	28,716	44,012	40,429	46,776
25,232	22,109	11,430	20,040	25,402	21,032
33,055	41,073	46,571	29,391	41,054	37,029
42,402	30,778	24,623	15,403	32,432	30,826
13,223	11,516	22,145	21,000	22,764	16,949
70,306	102,519	46,910	77,596	76,056	108,712
—	—	—	—	—	212,566
7,431	7,408	11,724	4,117	13,006	10,513
32,063	29,170	27,088	20,106	29,271	37,812
7,425	6,260	702	2,796	2,890	10,540
554,688	481,284	372,911	370,973	483,723	751,394
357,055	346,398	220,932	257,170	357,797	494,121
23,808	41,781	101,736	24,689	—	101,276
3,444	10,366	1,101	7,229	—	13,962
384,307	398,545	323,769	289,088	357,797	609,359
(170,381)	(82,739)	(49,142)	(81,885)	(125,926)	(142,035)
51,888	81,333	—	40,442	66,046	22,475
157,815	87,942	103,799	85,727	138,268	130,453
—	—	413	3,620	21,680	54,674
209,703	169,275	104,212	129,789	225,994	207,602
4,762	30,028	9,096	—	—	1,852
—	—	—	—	—	(5,425)
44,084	116,564	64,166	47,904	100,068	61,994
725,088	921,151	525,687	464,628	653,839	675,464
\$ 769,172	\$ 1,037,715	\$ 589,853	\$ 512,532	\$ 753,907	\$ 737,458

(continued)

STATE OF OHIO

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

	CLEVELAND STATE UNIVERSITY	YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY
EXPENSES:			
Primary, Secondary and Other Education.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Education and General:			
Instruction and Departmental Research.....	89,828	64,654	114,613
Separately Budgeted Research.....	13,849	858	33,240
Public Service.....	11,949	4,469	12,201
Academic Support.....	21,733	12,664	69,131
Student Services.....	18,574	8,424	16,341
Institutional Support.....	27,380	24,877	29,890
Operation and Maintenance of Plant.....	17,411	13,782	19,370
Scholarships and Fellowships.....	11,460	12,622	12,237
Auxiliary Services.....	20,280	23,224	25,274
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	1,882	1,650	1,139
Depreciation.....	17,818	9,719	15,556
Other.....	—	2,106	1,634
TOTAL EXPENSES.....	252,164	179,049	350,626
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	135,173	100,248	149,997
Operating Grants, Contributions and Restricted Investment Income.....	34,075	6,582	112,467
Capital Grants, Contributions and Restricted Investment Income.....	42	30,160	3,452
TOTAL PROGRAM REVENUES.....	169,290	136,990	265,916
NET PROGRAM (EXPENSE) REVENUE	(82,874)	(42,059)	(84,710)
GENERAL REVENUES:			
Unrestricted Investment Income.....	10,633	23,876	14,071
State Assistance.....	80,372	46,101	101,875
Other.....	11,077	2,714	139
TOTAL GENERAL REVENUES.....	102,082	72,691	116,085
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	2,378	—
SPECIAL ITEM.....	—	—	—
CHANGE IN NET ASSETS.....	19,208	33,010	31,375
NET ASSETS, JULY 1 (as restated).....	350,687	319,955	446,807
NET ASSETS, JUNE 30.....	\$ 369,895	\$ 352,965	\$ 478,182

SHAWNEE STATE UNIVERSITY	CENTRAL STATE UNIVERSITY	TERRA STATE COMMUNITY COLLEGE	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE	EDISON STATE COMMUNITY COLLEGE
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
16,646	9,362	5,686	57,946	6,566	7,058
—	1,349	—	—	—	—
3,305	2,913	2,036	4,778	2,877	735
2,870	6,517	493	4,508	1,088	383
3,726	3,467	938	10,086	2,147	1,945
7,883	7,916	3,342	18,680	4,169	4,181
4,390	4,692	1,331	13,093	2,128	957
5,421	3,613	129	14,542	1,053	517
4,162	6,386	1,032	10,341	2,883	991
—	—	—	—	—	—
122	1,173	15	996	7	139
2,268	3,372	979	4,480	1,240	589
41	349	6	630	—	—
50,834	51,109	15,987	140,080	24,158	17,495
22,101	16,228	6,047	92,931	9,369	9,913
14,144	14,516	3,216	2,865	7,059	1,932
—	—	49	474	333	475
36,245	30,744	9,312	96,270	16,761	12,320
(14,589)	(20,365)	(6,675)	(43,810)	(7,397)	(5,175)
4,086	1,070	416	4,230	449	324
15,257	19,681	6,117	55,238	10,289	9,718
—	—	58	—	355	—
19,343	20,751	6,591	59,468	11,093	10,042
—	—	—	—	1,848	—
—	—	—	—	—	—
4,754	386	(84)	15,658	5,544	4,867
98,995	69,625	24,808	207,382	43,427	16,917
\$ 103,749	\$ 70,011	\$ 24,724	\$ 223,040	\$ 48,971	\$ 21,784

(continued)

STATE OF OHIO

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

(continued)

	SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE	CINCINNATI STATE COMMUNITY COLLEGE
EXPENSES:			
Primary, Secondary and Other Education.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Education and General:			
Instruction and Departmental Research.....	6,237	6,138	25,893
Separately Budgeted Research.....	—	—	—
Public Service.....	1,944	—	1,708
Academic Support.....	1,667	2,229	4,066
Student Services.....	1,379	1,641	5,884
Institutional Support.....	1,652	3,582	12,692
Operation and Maintenance of Plant.....	1,476	1,506	6,456
Scholarships and Fellowships.....	3,548	1,262	1,226
Auxiliary Services.....	3,252	1,591	2,369
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	—	—	2,412
Depreciation.....	880	759	3,590
Other.....	—	35	—
TOTAL EXPENSES.....	22,035	18,743	66,296
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	11,020	7,736	40,538
Operating Grants, Contributions and Restricted Investment Income.....	4,794	4,544	—
Capital Grants, Contributions and Restricted Investment Income.....	—	—	44
TOTAL PROGRAM REVENUES.....	15,814	12,280	40,582
NET PROGRAM (EXPENSE) REVENUE	(6,221)	(6,463)	(25,714)
GENERAL REVENUES:			
Unrestricted Investment Income.....	241	203	701
State Assistance.....	6,071	5,923	28,207
Other.....	—	138	—
TOTAL GENERAL REVENUES.....	6,312	6,264	28,908
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	82	—	—
SPECIAL ITEM.....	—	—	—
CHANGE IN NET ASSETS.....	173	(199)	3,194
NET ASSETS, JULY 1 (as restated).....	21,360	21,510	53,412
NET ASSETS, JUNE 30.....	\$ 21,533	\$ 21,311	\$ 56,606

NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL NONMAJOR COMPONENT UNITS
\$ —	\$ —	\$ 32,045
—	—	23,103
8,069	44,719	1,415,518
—	208	180,391
834	2,415	121,143
1,394	4,630	403,911
906	6,794	207,497
4,577	13,007	392,001
1,223	9,934	274,213
1,475	2,811	179,513
2,075	7,940	593,899
—	—	212,566
3	—	63,737
977	3,816	243,569
—	94	35,508
21,533	96,368	4,378,614
10,061	37,086	2,687,065
3,196	16,820	521,979
120	—	71,251
13,377	53,906	3,280,295
(8,156)	(42,462)	(1,098,319)
439	1,525	325,015
7,944	43,448	1,196,003
—	259	95,168
8,383	45,232	1,616,186
—	—	50,046
(19)	—	(5,444)
208	2,770	562,469
21,894	94,656	5,850,461
\$ 22,102	\$ 97,426	\$ 6,412,930

STATE OF OHIO
COMBINING BALANCE SHEET
SCHOOL FACILITIES COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2007
(dollars in thousands)

SPECIAL REVENUE FUND			
	ADMINISTRATION	SCHOOL BUILDING ASSISTANCE PROGRAM	PUBLIC SCHOOL BUILDING PROGRAM
ASSETS:			
Cash Equity with Treasurer	\$ 1,342	\$ 56,273	\$ 198,745
Collateral on Lent Securities	753	31,578	111,527
Loans Receivable, Net	—	—	1,883
Other Receivables	4	—	—
Other Assets	16	—	—
TOTAL ASSETS	\$ 2,115	\$ 87,851	\$ 312,155
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 182	\$ 6,504	\$ 963
Accrued Liabilities	308	—	—
Obligations Under Securities Lending	753	31,578	111,527
Intergovernmental Payable	—	1,987,687	4,536
Refund and Other Liabilities	—	—	708
TOTAL LIABILITIES	1,243	2,025,769	117,734
FUND BALANCES:			
Reserved for:			
Encumbrances	343	—	11,195
Noncurrent Portion of Loans Receivable	—	—	1,853
Loan Commitments	—	—	1,696
Other:			
Prepays	16	—	—
Primary, Secondary and Other Education	—	—	10,822
Compensated Absences	58	—	—
Unreserved/Undesignated	455	(1,937,918)	168,855
TOTAL FUND BALANCES (DEFICITS)	872	(1,937,918)	194,421
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 2,115	\$ 87,851	\$ 312,155

<u>EDUCATIONAL FACILITIES</u>	<u>FEDERAL SCHOOL FACILITIES</u>	<u>VOCATIONAL SCHOOL BUILDING ASSISTANCE</u>	<u>TOTAL</u>
\$ 263,802	\$ —	\$ 4,641	\$ 524,803
148,034	—	2,604	294,496
—	—	6,270	8,153
—	—	—	4
—	—	—	16
<u>\$ 411,836</u>	<u>\$ —</u>	<u>\$ 13,515</u>	<u>\$ 827,472</u>
\$ 3,516	\$ —	\$ —	\$ 11,165
—	—	—	308
148,034	—	2,604	294,496
118,096	—	—	2,110,319
—	—	—	708
<u>269,646</u>	<u>—</u>	<u>2,604</u>	<u>2,416,996</u>
22,434	15	(850)	33,137
—	—	6,031	7,884
—	—	850	2,546
—	—	—	16
—	—	—	10,822
—	—	—	58
<u>119,756</u>	<u>(15)</u>	<u>4,880</u>	<u>(1,643,987)</u>
<u>142,190</u>	<u>—</u>	<u>10,911</u>	<u>(1,589,524)</u>
<u><u>\$ 411,836</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 13,515</u></u>	<u><u>\$ 827,472</u></u>

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STATE OF OHIO
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SCHOOL FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2007
(dollars in thousands)

	<u>SCHOOL FACILITIES COMMISSION</u>
Total Fund Balances	\$ (1,589,524)
Total net assets reported for governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:	
<i>Machinery and Equipment, net of \$121 accumulated depreciation</i>	<u>29</u>
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
<i>Refund and Other Liabilities-Compensated Absences</i>	<u>(738)</u>
Total Net Assets	<u><u>\$ (1,590,233)</u></u>

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SCHOOL FACILITIES COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)

	SPECIAL REVENUE FUND		
	ADMINISTRATION	SCHOOL BUILDING ASSISTANCE PROGRAM	PUBLIC SCHOOL BUILDING PROGRAM
REVENUES:			
State Assistance	\$ —	\$ 500,000	\$ 50,088
Sales, Services and Charges	21	—	—
Federal Government	—	—	—
Investment Income	121	9,496	7,595
Other	11	1,453	—
TOTAL REVENUES	153	510,949	57,683
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	7,433	848,326	13,365
TOTAL EXPENDITURES	7,433	848,326	13,365
EXCESS (DEFICIENCY) OF REVENUES			
OVER (UNDER) EXPENDITURES	(7,280)	(337,377)	44,318
OTHER FINANCING SOURCES (USES):			
Transfers-in	7,403	—	—
Transfers-out	—	—	(3,605)
TOTAL OTHER FINANCING SOURCES (USES)	7,403	—	(3,605)
NET CHANGES IN FUND BALANCES	123	(337,377)	40,713
FUND BALANCES (DEFICITS), JULY 1 (as restated)	749	(1,600,541)	153,708
FUND BALANCES (DEFICITS), JUNE 30	\$ 872	\$ (1,937,918)	\$ 194,421

<u>EDUCATIONAL FACILITIES</u>	<u>FEDERAL SCHOOL FACILITIES</u>	<u>VOCATIONAL SCHOOL BUILDING ASSISTANCE</u>	<u>TOTAL</u>
\$ 286,512	\$ —	\$ —	\$ 836,600
—	—	—	21
—	5	—	5
10,802	—	212	28,226
—	—	—	1,464
<u>297,314</u>	<u>5</u>	<u>212</u>	<u>866,316</u>
—	5	—	869,129
—	<u>5</u>	—	<u>869,129</u>
<u>297,314</u>	—	<u>212</u>	<u>(2,813)</u>
—	—	—	7,403
(3,798)	—	—	(7,403)
<u>(3,798)</u>	—	—	—
<u>293,516</u>	—	<u>212</u>	<u>(2,813)</u>
(151,326)	—	10,699	(1,586,711)
<u>\$ 142,190</u>	<u>\$ —</u>	<u>\$ 10,911</u>	<u>\$ (1,589,524)</u>

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STATE OF OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

SCHOOL FACILITIES COMMISSION

DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

SCHOOL
FACILITIES
COMMISSION

Net Change in Fund Balances..... **\$ (2,813)**

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation Expense..... (6)

Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.

(54)

Change in Net Assets **\$ (2,873)**

STATE OF OHIO
COMBINING BALANCE SHEET
CULTURAL FACILITIES COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2007
(dollars in thousands)

SPECIAL REVENUE FUND			
	ADMINISTRATION	CULTURAL & SPORTS FACILITIES BUILDING IMPROVEMENTS	CAPITAL DONATIONS
ASSETS:			
Cash Equity with Treasurer	\$ 815	\$ 23,562	\$ 230
Collateral on Lent Securities	457	13,222	129
Other Assets	2	—	—
TOTAL ASSETS	\$ 1,274	\$ 36,784	\$ 359
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 92	\$ 1,226	\$ —
Accrued Liabilities	46	—	—
Obligations Under Securities Lending	457	13,222	129
TOTAL LIABILITIES	595	14,448	129
FUND BALANCES:			
Reserved for:			
Encumbrances	54	12,023	—
Other:			
Prepays	2	—	—
Compensated Absences	7	—	—
Unreserved/Undesignated	616	10,313	230
TOTAL FUND BALANCES	679	22,336	230
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 1,274	\$ 36,784	\$ 359

TOTAL

\$ 24,607
13,808
2
\$ 38,417

\$ 1,318
46
13,808
15,172

12,077

2
7
11,159
23,245
\$ 38,417

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STATE OF OHIO
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
CULTURAL FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2007
(dollars in thousands)

	CULTURAL FACILITIES COMMISSION
Total Fund Balances.....	\$ 23,245
Total net assets reported for governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:	
Land.....	11,858
Buildings, net of \$15,738 accumulated depreciation.....	44,534
	<u>56,392</u>
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
Refund and Other Liabilities-Compensated Absences.....	(66)
Total Net Assets.....	\$ 79,571

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CULTURAL FACILITIES COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)

	SPECIAL REVENUE FUND		
	ADMINISTRATION	CULTURAL & SPORTS FACILITIES BUILDING IMPROVEMENTS	CAPITAL DONATIONS
REVENUES:			
State Assistance	\$ —	\$ 25,000	\$ —
Sales, Services and Charges	53	—	—
Investment Income	62	1,212	12
Other	—	—	46
TOTAL REVENUES	115	26,212	58
EXPENDITURES:			
CURRENT OPERATING:			
Community and Economic Development	933	16,915	9
TOTAL EXPENDITURES	933	16,915	9
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(818)	9,297	49
OTHER FINANCING SOURCES (USES):			
Transfers-in	808	—	—
Transfers-out	—	(808)	—
TOTAL OTHER FINANCING SOURCES (USES).	808	(808)	—
NET CHANGE IN FUND BALANCES	(10)	8,489	49
FUND BALANCES, JULY 1	689	13,847	181
FUND BALANCES, JUNE 30	\$ 679	\$ 22,336	\$ 230

	<u>TOTAL</u>
\$	25,000
	53
	1,286
	46
	<u>26,385</u>

	<u>17,857</u>
	<u>17,857</u>

	<u>8,528</u>
--	--------------

	808
	<u>(808)</u>
	<u>—</u>

	<u>8,528</u>
--	--------------

	<u>14,717</u>
--	---------------

\$	<u><u>23,245</u></u>
----	----------------------

STATE OF OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES CULTURAL FACILITIES COMMISSION DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

	CULTURAL FACILITIES COMMISSION
Net Change in Fund Balances.....	\$ 8,528
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation Expense.....	(1,339)
Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.	(2)
Change in Net Assets	\$ 7,187

STATE OF OHIO
BALANCE SHEET
eTECH OHIO COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2007
(dollars in thousands)

**eTECH OHIO
COMMISSION**

ASSETS:

Cash Equity with Treasurer	\$	7,290
Collateral on Lent Securities.		4,091
Receivable from Primary Government		1,382
Other Assets.		<u>1</u>
TOTAL ASSETS	\$	<u>12,764</u>

LIABILITIES AND FUND BALANCE:

LIABILITIES:

Accounts Payable.	\$	1,505
Accrued Liabilities.		359
Obligations Under Securities Lending		<u>4,091</u>
TOTAL LIABILITIES		<u>5,955</u>

FUND BALANCE:

Reserved for:		
Encumbrances		1,514
Federal Programs		19
Other:		
Prepays		1
Compensated Absences.		4
Unreserved/Undesignated		<u>5,271</u>
TOTAL FUND BALANCE		<u>6,809</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>12,764</u></u>

STATE OF OHIO
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
eTECH OHIO COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2007
(dollars in thousands)

	<u>eTECH OHIO COMMISSION</u>
Total Fund Balances	\$ 6,809
Total net assets reported for governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:	
<i>Machinery and Equipment, net of \$2,891 accumulated depreciation</i>	<u>3,033</u>
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
<i>Refund and Other Liabilities-Compensated Absences</i>	<u>(660)</u>
Total Net Assets	<u>\$ 9,182</u>

STATE OF OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
eTECH OHIO COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(dollars in thousands)

	<u>eTECH OHIO COMMISSION</u>
REVENUES:	
State Assistance	\$ 30,758
Federal Government	139
Other	<u>4,020</u>
TOTAL REVENUES	<u>34,917</u>
EXPENDITURES:	
CURRENT OPERATING:	
Primary, Secondary and Other Education	<u>34,670</u>
TOTAL EXPENDITURES	<u>34,670</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>247</u>
NET CHANGE IN FUND BALANCE	<u>247</u>
FUND BALANCE, JULY 1	<u>6,562</u>
FUND BALANCE, JUNE 30	<u><u>\$ 6,809</u></u>

STATE OF OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

eTECH OHIO COMMISSION

DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(dollars in thousands)

**eTECH
OHIO
COMMISSION**

Net Change in Fund Balance..... **\$ 247**

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay Expenditures.....	2,684
Depreciation Expense.....	(672)
	<hr/>
Excess of Capital Outlay Over Depreciation Expense.....	2,012
	<hr/>

Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.

(59)

Change in Net Assets..... **\$ 2,200**

STATISTICAL SECTION

STATISTICAL SECTION

This section of the State of Ohio's Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

	<u>Pages</u>
Financial Trends	244-257
These schedules contain trend information to assist the reader in understanding how the State's financial performance and condition have changed over time.	
Revenue Capacity	258-273
These schedules contain information to assist the reader in assessing the State's two most significant own-source revenues: income taxes and sales taxes.	
Debt Capacity	274-282
These schedules present information to assist the reader in assessing the affordability of the State's current levels of outstanding debt and its ability to issue additional debt in the future.	
Economic and Demographic Information	284-286
These schedules offer economic and demographic indicators to assist the reader in understanding the environment within which the State's financial activities take place.	
Operating Information	288-295
These schedules contain service and infrastructure data to assist the reader in understanding how the information in the State's financial report relates to the services the State provides and to the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. In fiscal year 2002, the State implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; consequently, schedules presenting government-wide information commence with that year.

STATE OF OHIO
NET ASSETS BY COMPONENT
FOR THE LAST SIX FISCAL YEARS

(accrual basis of accounting)
(dollars in thousands)

	2007	2006	2005	2004
GOVERNMENTAL ACTIVITIES:				
Invested in Capital Assets, Net of Related Debt.....	\$21,477,381	\$20,889,063	\$20,285,186	\$19,941,259
Restricted for:				
Constitutional Provisions:				
Primary, Secondary and Other Education.....	34,019	9,607	8,200	15,862
Transportation and Highway Safety.....	1,032,112	921,993	744,913	698,428
State and Local Highway Construction.....	126,323	127,121	129,299	126,517
Externally Imposed Constraints:				
Federal Programs.....	81,639	75,776	38,656	32,858
Coal Research and Development Program.....	—	—	—	—
Clean Ohio Program.....	85,209	93,682	41,673	80,530
Community and Economic Development and Capital Purposes.....	991,094	883,385	935,842	924,533
Enterprise Bond Program.....	10,000	10,000	10,000	10,000
Total Restricted Net Assets.....	2,360,396	2,121,564	1,908,583	1,888,728
Unrestricted.....	(4,307,323)	(4,067,042)	(3,988,883)	(4,331,377)
TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS.....	\$19,530,454	\$18,943,585	\$18,204,886	\$17,498,610
BUSINESS-TYPE ACTIVITIES:				
Invested in Capital Assets, Net of Related Debt.....	\$ 19,322	\$ 10,363	\$ (1,839)	\$ 5,873
Restricted for:				
Externally Imposed Constraints:				
Workers' Compensation.....	—	—	—	866,307
Deferred Lottery Prizes.....	13,272	56,669	102,614	83,603
Unemployment Compensation.....	608,364	675,666	663,921	809,037
Ohio Building Authority.....	28,390	28,041	26,996	28,457
Tuition Trust Authority.....	32,100	—	—	—
Auditor of State's Office.....	—	—	—	—
Total Restricted Net Assets.....	682,126	760,376	793,531	1,787,404
Unrestricted.....	2,425,083	(247,241)	(1,141,542)	(223,611)
TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS.....	\$ 3,126,531	\$ 523,498	\$ (349,850)	\$ 1,569,666
PRIMARY GOVERNMENT:				
Invested in Capital Assets, Net of Related Debt.....	\$21,496,703	\$20,899,426	\$20,283,347	\$19,947,132
Restricted.....	3,042,522	2,881,940	2,702,114	3,676,132
Unrestricted.....	(1,882,240)	(4,314,283)	(5,130,425)	(4,554,988)
TOTAL PRIMARY GOVERNMENT NET ASSETS.....	\$22,656,985	\$19,467,083	\$17,855,036	\$19,068,276

Note:

When practical, net assets reported on the above table have been restated for prior period adjustments, corrections, and reclassifications. However, restatements do not include changes in reporting entity. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expense activity reported for the applicable fiscal years on the "Changes in Net Assets" table may not have been determined for presentation on that table.

<u>2003</u>	<u>2002</u>
\$19,261,553	\$18,653,976
5,128	5,759
638,615	819,829
124,022	124,957
75,967	48,997
8,488	17,340
79,457	51,358
929,213	810,275
10,000	—
<u>1,870,890</u>	<u>1,878,515</u>
<u>(4,277,649)</u>	<u>(2,979,838)</u>
<u>\$16,854,794</u>	<u>\$17,552,653</u>
\$ 19,827	\$ 24,197
545,756	1,880,808
169,822	97,040
1,286,679	1,912,422
24,600	28,003
—	—
—	406
<u>2,026,857</u>	<u>3,918,679</u>
<u>(264,186)</u>	<u>(12,846)</u>
<u>\$ 1,782,498</u>	<u>\$ 3,930,030</u>
\$19,281,380	\$18,678,173
3,897,747	5,797,194
<u>(4,541,835)</u>	<u>(2,992,684)</u>
<u>\$18,637,292</u>	<u>\$21,482,683</u>

STATE OF OHIO
CHANGES IN NET ASSETS
FOR THE LAST SIX FISCAL YEARS

(accrual basis of accounting)
(dollars in thousands)

	2007	2006	2005	2004
EXPENSES:				
GOVERNMENTAL ACTIVITIES:				
Primary, Secondary and Other Education.....	\$ 11,467,076	\$ 11,157,283	\$ 10,500,807	\$ 10,234,524
Higher Education Support.....	2,546,530	2,608,007	2,475,281	2,494,828
Public Assistance and Medicaid.....	15,782,074	14,909,149	14,247,598	13,557,787
Health and Human Services.....	3,538,858	3,526,763	3,333,997	2,950,880
Justice and Public Protection.....	3,102,172	3,111,577	2,972,666	2,809,295
Environmental Protection and Natural Resources.....	435,235	406,632	397,852	397,884
Transportation.....	1,998,166	1,925,841	2,080,958	1,433,439
General Government.....	884,590	952,248	670,146	607,376
Community and Economic Development.....	3,789,404	3,618,550	3,432,302	3,493,357
Intergovernmental.....	—	—	—	—
Interest on Long-Term Debt (excludes interest charged as program expense).....	169,776	175,732	175,700	189,583
TOTAL GOVERNMENTAL ACTIVITIES EXPENSES.....	43,713,881	42,391,782	40,287,307	38,168,953
BUSINESS-TYPE ACTIVITIES:				
Workers' Compensation.....	2,760,313	2,011,480	3,232,669	3,072,477
Lottery Commission.....	1,696,881	1,625,309	1,581,100	1,575,279
Unemployment Compensation.....	1,175,682	1,161,776	1,194,040	1,639,014
Ohio Building Authority.....	28,188	25,797	27,327	27,524
Tuition Trust Authority.....	91,416	67,162	30,214	118,834
Liquor Control.....	444,119	423,373	401,187	374,507
Underground Parking Garage.....	2,519	2,993	2,692	2,199
Office of Auditor of State.....	74,487	71,729	73,501	75,758
TOTAL BUSINESS-TYPE ACTIVITIES EXPENSES.....	6,273,605	5,389,619	6,542,730	6,885,592
TOTAL PRIMARY GOVERNMENT EXPENSES.....	\$ 49,987,486	\$ 47,781,401	\$ 46,830,037	\$ 45,054,545
PROGRAM REVENUES:				
GOVERNMENTAL ACTIVITIES:				
Charges for Services, Fees, Fines and Forfeitures:				
Public Assistance and Medicaid.....	\$ 832,275	\$ 639,821	\$ 612,629	\$ 556,006
Justice and Public Protection.....	929,689	912,421	850,032	832,787
General Government.....	455,656	474,975	405,805	413,028
Community and Economic Development.....	338,337	288,490	313,724	295,078
Other Activities.....	545,050	494,550	372,243	432,251
Operating Grants, Contributions and Restricted Investment Income/(Loss).....	14,964,098	14,336,540	13,774,602	12,979,579
Capital Grants, Contributions and Restricted Investment Income/(Loss).....	1,286,426	1,288,100	1,088,146	890,444
TOTAL GOVERNMENTAL ACTIVITIES PROGRAM REVENUES.....	19,351,531	18,434,897	17,417,181	16,399,173
BUSINESS-TYPE ACTIVITIES:				
Charges for Services, Fees, Fines and Forfeitures:				
Workers' Compensation.....	4,288,636	2,118,571	2,213,121	2,138,634
Lottery Commission.....	2,267,134	2,227,386	2,164,857	2,166,512
Unemployment Compensation.....	1,112,423	1,163,397	1,044,500	61,033
Liquor Control.....	639,664	606,905	556,213	520,161
Other Activities.....	81,693	81,555	77,414	110,820
Operating Grants, Contributions and Restricted Investment Income/(Loss).....	1,339,887	883,003	1,183,511	2,455,783
Capital Grants, Contributions and Restricted Investment Income/(Loss).....	—	—	—	332
TOTAL BUSINESS-TYPE ACTIVITIES PROGRAM REVENUES.....	9,729,437	7,080,817	7,239,616	7,453,275
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES.....	\$ 29,080,968	\$ 25,515,714	\$ 24,656,797	\$ 23,852,448

2003	2002
\$ 8,498,696	\$ 8,141,634
2,515,379	2,710,111
12,683,617	11,953,033
2,930,071	2,847,339
2,435,774	2,451,328
403,445	371,103
1,532,040	1,507,932
486,013	762,725
827,530	831,994
3,587,357	3,552,148
195,559	203,811
36,095,481	35,333,158
4,088,796	4,565,493
1,523,764	1,467,203
1,838,949	1,660,148
30,824	33,724
388,469	284,960
354,547	339,294
2,515	2,336
84,087	78,302
8,311,951	8,431,460
\$ 44,407,432	\$ 43,764,618
\$ 526,679	\$ 509,184
694,517	702,145
330,249	444,342
260,705	291,876
364,752	335,025
11,772,552	11,230,106
930,497	942,200
14,879,951	14,454,878
2,184,192	2,376,252
2,083,108	1,988,124
50,634	694,090
493,195	470,515
178,340	237,346
1,895,246	(59,232)
956	—
6,885,671	5,707,095
\$ 21,765,622	\$ 20,161,973
	(continued)

STATE OF OHIO
CHANGES IN NET ASSETS
FOR THE LAST SIX FISCAL YEARS

(accrual basis of accounting)
(dollars in thousands)
(continued)

	2007	2006	2005	2004
NET (EXPENSE) REVENUE:				
Governmental Activities.....	\$ (24,362,350)	\$ (23,956,885)	\$ (22,870,126)	\$ (21,769,780)
Business-Type Activities.....	3,455,832	1,691,198	696,886	567,683
TOTAL PRIMARY GOVERNMENT NET (EXPENSE).....	\$ (20,906,518)	\$ (22,265,687)	\$ (22,173,240)	\$ (21,202,097)
GENERAL REVENUES AND				
OTHER CHANGES IN NET ASSETS:				
GOVERNMENTAL ACTIVITIES:				
TAXES:				
Income.....	\$ 9,630,983	\$ 9,854,803	\$ 9,450,119	\$ 8,526,572
Sales.....	7,755,604	7,623,513	8,135,552	7,915,493
Corporate and Public Utility.....	2,615,648	2,359,338	1,838,882	1,755,736
Cigarette.....	986,546	1,084,143	577,699	557,543
Other.....	672,598	645,856	651,646	641,273
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes.....	1,835,478	1,850,939	1,753,390	1,631,631
TOTAL TAXES.....	23,496,857	23,418,592	22,407,288	21,028,248
Tobacco Settlement.....	361,552	336,044	321,335	316,799
Escheat Property.....	31,009	93,782	91,867	74,268
Unrestricted Investment Income.....	206,414	128,772	46,797	18,159
Federal.....	—	—	—	193,033
Other.....	383	295	287	1,940
Transfers-Internal Activities.....	853,171	818,636	807,653	781,149
TOTAL GOVERNMENTAL ACTIVITIES.....	24,949,386	24,796,121	23,675,227	22,413,596
BUSINESS-TYPE ACTIVITIES:				
Unrestricted Investment Income.....	-	—	2,040	622
Federal.....	-	—	—	12
Other.....	372	932	5,837	—
Transfers-Internal Activities.....	(853,171)	(818,636)	(807,653)	(781,149)
TOTAL BUSINESS-TYPE ACTIVITIES.....	(852,799)	(817,704)	(799,776)	(780,515)
TOTAL PRIMARY GOVERNMENT.....	\$ 24,096,587	\$ 23,978,417	\$ 22,875,451	\$ 21,633,081
CHANGE IN NET ASSETS:				
Governmental Activities.....	\$ 587,036	\$ 839,236	\$ 805,101	\$ 643,816
Business-Type Activities.....	2,603,033	873,494	(102,890)	(212,832)
TOTAL PRIMARY GOVERNMENT	\$ 3,190,069	\$ 1,712,730	\$ 702,211	\$ 430,984

Notes:

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

For comparative purposes, data for fiscal years 2002 and 2003 have not been restated for the effects of reclassifying the "Intergovernmental" expense function to other functions.

2003	2002
\$ (21,215,530)	\$ (20,878,280)
(1,426,280)	(2,724,365)
<u>\$ (22,641,810)</u>	<u>\$ (23,602,645)</u>

\$ 8,231,233	\$ 7,961,718
6,470,645	6,413,916
1,682,945	1,640,433
599,943	—
649,027	895,414

1,462,608	1,451,767
<u>19,096,401</u>	<u>18,363,248</u>
345,075	368,588
43,173	50,745
5,285	72,262
193,033	—
1,802	33
755,855	743,821
<u>20,440,624</u>	<u>19,598,697</u>

29,726	—
44	346,891
4,833	2,475
(755,855)	(743,821)
<u>(721,252)</u>	<u>(394,455)</u>
<u>\$ 19,719,372</u>	<u>\$ 19,204,242</u>

\$ (774,906)	\$ (1,279,583)
(2,147,532)	(3,118,820)
<u>\$ (2,922,438)</u>	<u>\$ (4,398,403)</u>

STATE OF OHIO

CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)
(dollars in thousands)

	2007	2006	2005	2004	2003
REVENUES:					
Income Taxes.....	\$ 9,700,901	\$ 9,726,268	\$ 9,398,979	\$ 8,479,900	\$ 8,210,130
Sales Taxes.....	7,755,605	7,623,513	8,135,552	7,915,493	6,470,643
Corporate and Public Utility Taxes.....	2,615,649	2,359,337	1,838,883	1,755,736	1,682,943
Motor Vehicle Fuel Taxes.....	1,835,477	1,850,940	1,753,389	1,631,632	1,462,608
Cigarette Taxes.....	986,546	1,084,143	577,698	557,543	599,943
Other Taxes.....	672,598	645,857	651,647	641,274	649,027
Licenses, Permits and Fees.....	2,261,667	2,137,549	1,851,739	1,804,291	1,564,429
Sales, Services and Charges.....	78,807	77,071	83,846	85,547	87,628
Federal Government.....	15,663,148	15,421,095	14,640,717	13,893,741	12,791,973
Tobacco Settlement.....	308,488	294,725	321,050	316,322	369,619
Escheat Property.....	83,991	145,695	118,719	103,767	84,642
Investment Income.....	619,645	440,623	228,186	110,876	121,592
Other	762,191	627,312	640,076	577,637	526,164
TOTAL REVENUES.....	43,344,713	42,434,128	40,240,481	37,873,759	34,621,341
EXPENDITURES:					
Current Operating:					
Primary, Secondary and					
Other Education.....	11,300,752	11,026,085	10,377,748	10,127,804	8,451,164
Higher Education Support.....	2,437,150	2,499,074	2,369,279	2,386,570	2,408,059
Public Assistance and Medicaid.....	15,774,452	14,907,511	14,240,939	13,617,263	12,731,148
Health and Human Services.....	3,465,552	3,461,571	3,276,589	3,098,669	2,894,321
Justice and Public Protection.....	3,049,826	3,055,124	2,903,061	2,522,823	2,348,232
Environmental Protection and					
Natural Resources.....	419,324	395,016	379,273	365,511	369,119
Transportation.....	2,186,036	2,185,928	2,077,669	1,807,912	1,942,040
General Government.....	754,441	792,645	585,161	493,237	501,966
Community and Economic					
Development.....	3,664,551	3,549,065	3,362,574	3,380,557	718,088
Intergovernmental	—	—	—	—	3,573,227
Capital Outlay.....	453,761	485,904	466,913	458,118	498,066
Debt service:					
Principal.....	1,321,527	1,126,643	1,162,970	877,116	815,034
Interest.....	285,557	332,622	253,260	458,330	435,970
TOTAL EXPENDITURES.....	45,112,929	43,817,188	41,455,436	39,593,910	37,686,434
EXCESS (DEFICIENCY) OF					
 REVENUES OVER (UNDER)					
 EXPENDITURES.....	(1,768,216)	(1,383,060)	(1,214,955)	(1,720,151)	(3,065,093)

2002	2001	2000	1999	1998
\$ 7,982,461	\$ 8,302,892	\$ 8,098,155	\$ 7,143,344	\$ 6,828,242
6,385,248	6,248,705	6,233,089	5,834,299	5,560,402
1,640,433	1,726,263	1,697,970	1,817,641	1,969,190
1,451,767	1,457,454	1,459,374	1,445,679	1,399,948
281,292	282,481	287,710	290,566	296,645
614,122	647,857	625,376	626,939	593,906
1,521,736	1,219,605	1,156,379	1,137,577	1,109,895
94,597	83,891	86,981	81,731	76,091
11,734,436	10,433,668	9,321,234	8,697,800	8,349,038
368,588	315,812	412,270	—	—
52,628	—	—	—	—
282,457	486,817	443,566	554,915	554,523
635,812	514,544	481,856	481,748	473,432
<u>33,045,577</u>	<u>31,719,989</u>	<u>30,303,960</u>	<u>28,112,239</u>	<u>27,211,312</u>
8,142,972	7,194,883	6,634,181	6,403,978	5,927,471
2,449,614	506,511	439,137	377,868	354,530
11,854,582	10,894,942	9,488,379	8,561,652	8,462,208
2,792,890	2,555,221	2,613,853	2,548,360	2,485,176
2,378,120	2,232,421	2,167,402	2,035,739	1,870,507
355,576	340,574	354,180	330,069	315,522
1,897,807	1,756,201	1,680,736	1,497,553	1,494,130
733,591	468,791	575,576	661,011	625,275
748,185	541,166	452,516	398,905	391,893
3,563,306	3,361,184	3,257,632	2,898,094	2,735,799
465,843	411,817	629,753	1,256,271	1,248,346
783,411	765,832	697,880	673,592	620,862
410,193	371,705	356,115	350,533	401,556
<u>36,576,090</u>	<u>31,401,248</u>	<u>29,347,340</u>	<u>27,993,625</u>	<u>26,933,275</u>
<u>(3,530,513)</u>	<u>318,741</u>	<u>956,620</u>	<u>118,614</u>	<u>278,037</u>

(continued)

STATE OF OHIO

CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(dollars in thousands)

(continued)

	2007	2006	2005	2004	2003
OTHER FINANCING SOURCES (USES):					
Bonds and Certificates of					
Participation Issued.....	\$ 1,482,830	\$ 1,524,269	\$ 1,347,285	\$ 1,574,566	\$ 1,405,000
Refunding Bonds Issued.....	259,205	156,240	706,835	247,297	1,025,040
Payment to Refunded Bond					
Escrow Agents.....	(279,651)	(172,770)	(768,952)	(260,146)	(1,091,881)
Premiums.....	87,878	71,475	142,926	111,270	188,952
Discounts.....	—	—	(94)	(7,923)	(33,649)
Capital Leases.....	18,942	4,959	335	400	3,391
Transfers-in.....	3,548,419	3,319,821	3,323,250	3,246,329	3,250,997
Transfers-out.....	(2,695,248)	(2,501,185)	(2,515,597)	(2,465,180)	(2,495,142)
Transfers to Component Units.....	—	—	—	—	—
TOTAL OTHER FINANCING					
SOURCES (USES).....	2,422,375	2,402,809	2,235,988	2,446,613	2,252,708
NET CHANGE IN					
FUND BALANCES.....	\$ 654,159	\$ 1,019,749	\$ 1,021,033	\$ 726,462	\$ (812,385)
Debt Service as a Percentage					
of Noncapital Expenditures.....	3.6%	3.4%	3.5%	3.4%	3.4%
Additional Information:					
Increase (Decrease) for					
Changes in Inventories.....	\$ (3,216)	\$ 12,636	\$ (1,102)	\$ 1,710	\$ (8,143)
Residual Equity Transfers (Net).....	N/A	N/A	N/A	N/A	N/A

Notes:

Revenues, expenditures, and other financing sources (uses) have been restated for prior period adjustments, corrections, and reclassifications, when practical. Significant items of note are as follows:

For comparative purposes, data for fiscal years 1998 through 2001 have not been restated for the following items, which impacted the governmental funds amounts shown for fiscal year 2002 and thereafter:

- The implementation of the reporting provisions of GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*.
- The reclassification of the State's previously reported Unclaimed Funds Expendable Trust Fund to the General Fund. Accordingly, prior to fiscal year 2002, escheat property revenue had been reported in the General Fund.
- Expenditure data presented after fiscal year 2001 includes payments to colleges and universities that were reported as "Transfers to Component Units" in previous years.

For comparative purposes, data for fiscal years 1998 through 2003 have not been restated for the effects of reclassifying the "Intergovernmental" expenditure function to other functions.

The expenditure data for fiscal years 1998 through 1999 have not been restated for a reclassification of capital outlay expenditures to the "Higher Education Support" function and the "Intergovernmental" expenditure character.

Therefore, the debt service as a percentage of non-capital expenditures is not presented for these years since the resulting percentages would not be compatible with subsequent years.

2002	2001	2000	1999	1998
\$ 1,200,000	\$ 903,828	\$ 1,102,374	\$ 1,270,485	\$ 871,309
341,451	504,786	—	173,500	339,431
(339,042)	(499,750)	—	(173,376)	(338,895)
37,124	—	—	—	—
(2)	—	—	—	—
1,480	—	4,924	2,257	13,720
3,203,580	3,121,285	3,409,874	3,470,045	3,222,734
(2,459,759)	(2,361,079)	(2,648,146)	(2,698,223)	(2,422,736)
—	(2,250,914)	(1,671,985)	(1,564,910)	(1,520,432)
1,984,832	(581,844)	197,041	479,778	165,131
\$ (1,545,681)	\$ (263,103)	\$ 1,153,661	\$ 598,392	\$ 443,168
3.3%	3.7%	3.7%	N/A	N/A
\$ 105	\$ (3,961)	\$ 1,367	\$ (2,792)	\$ 382
N/A	\$ (2,168)	\$ (3,732)	\$ (5,656)	\$ (5,147)

STATE OF OHIO

FUND BALANCES OF GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)
(dollars in thousands)

	2007	2006	2005	2004	2003
GENERAL FUND:					
Reserved	\$ 687,131	\$ 617,733	\$ 627,395	\$ 661,238	\$ 557,638
Unreserved.....	1,568,395	1,291,950	649,420	105,333	(452,491)
TOTAL GENERAL FUND.....	2,255,526	1,909,683	1,276,815	766,571	105,147
ALL OTHER GOVERNMENTAL FUNDS:					
Reserved.....	5,391,969	6,371,192	6,194,524	5,240,145	4,863,068
Unreserved, reported in:					
Special Revenue Funds.....	(688,422)	(2,048,150)	(2,369,192)	(1,614,473)	(1,229,230)
Debt Service Funds.....	(20)	—	—	—	(49)
Capital Projects Funds.....	(240,976)	(165,591)	33,139	(178,063)	(252,928)
TOTAL ALL OTHER GOVERNMENTAL FUNDS.....	4,462,551	4,157,451	3,858,471	3,447,609	3,380,861
TOTAL GOVERNMENTAL FUNDS.....	\$6,718,077	\$6,067,134	\$5,135,286	\$4,214,180	\$3,486,008

Note:

When practical, fund balances reported on the above table have been restated for prior period adjustments, corrections, and reclassifications; however, restatements do not include changes in reporting entity. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expenditure activity reported for the applicable fiscal years on the "Changes in Fund Balances for Governmental Funds" table and the "Condensed Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund" table may not have been determined for presentation on each of the two respective tables.

2002	2001	2000	1999	1998
\$ 556,036	\$2,154,861	\$1,485,966	\$1,562,040	\$1,518,040
206,214	(46,466)	1,035,085	1,078,032	1,093,155
762,250	2,108,395	2,521,051	2,640,072	2,611,195
4,684,021	5,149,718	6,009,038	4,653,153	4,092,366
(586,200)	(1,068,729)	(1,764,304)	(159,344)	35,916
(21)	(473)	—	558	599
(331,359)	(94,797)	(355,200)	(180,739)	(447,492)
3,766,441	3,985,719	3,889,534	4,313,628	3,681,389
\$4,528,691	\$6,094,114	\$6,410,585	\$6,953,700	\$6,292,584

STATE OF OHIO

CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE GENERAL FUND FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(dollars in thousands)

	2007	2006	2005	2004	2003
REVENUES:					
Income Taxes.....	\$ 8,863,302	\$ 8,889,463	\$ 8,563,376	\$ 7,645,597	\$ 7,374,239
Sales Taxes.....	7,432,423	7,302,441	7,816,395	7,596,254	6,153,743
Corporate and Public Utility Taxes	1,583,791	1,774,113	1,468,576	1,381,752	1,302,968
Cigarette Taxes	986,546	1,084,142	577,671	557,532	599,941
Other Taxes	612,304	584,689	591,998	580,143	595,498
Licenses, Permits and Fees	288,648	209,054	148,877	121,953	115,199
Sales, Services and Charges	48,876	46,067	41,911	44,233	44,899
Federal Government	5,362,256	5,526,049	5,724,597	5,904,388	5,251,885
Escheat Property	83,991	145,695	118,719	103,767	84,642
Investment Income	416,563	305,425	140,891	43,029	33,095
Other	252,599	177,066	259,019	240,020	192,573
TOTAL REVENUES	25,931,299	26,044,204	25,452,030	24,218,668	21,748,682
EXPENDITURES:					
Current Operating	25,129,616	25,215,213	24,439,150	23,696,295	21,131,783
Intergovernmental	—	—	—	—	1,294,797
Capital Outlay	114	204	—	—	—
Debt Service	14,575	536	543	541	2,300
TOTAL EXPENDITURES	25,144,305	25,215,953	24,439,693	23,696,836	22,428,880
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	786,994	828,251	1,012,337	521,832	(680,198)
OTHER FINANCING SOURCES (USES):					
Bonds Issued	525,000	629,392	419,349	613,000	470,000
Premiums	—	921	26	—	—
Capital Leases	9,999	4,959	122	260	2,692
Transfers-in	346,399	365,326	366,376	543,443	630,122
Transfers-out	(1,322,012)	(1,201,618)	(1,216,051)	(1,019,566)	(991,261)
TOTAL OTHER FINANCING SOURCES (USES).....	(440,614)	(201,020)	(430,178)	137,137	111,553
NET CHANGE IN FUND BALANCES.....	346,380	627,231	582,159	658,969	(568,645)
FUND BALANCES, JULY 1	1,909,683	1,276,815	695,788	105,147	762,250
Increase (Decrease) for Changes in Inventories	(537)	5,637	(1,132)	2,455	(818)
Residual Equity Transfers-out	—	—	—	—	—
FUND BALANCES, JUNE 30	\$ 2,255,526	\$ 1,909,683	\$ 1,276,815	\$ 766,571	\$ 192,787

Notes:

The July 1 fund balances, revenues, and expenditures have been restated for prior period adjustments, corrections, and reclassifications, when practical. Significant items of note are as follows:

- For comparative purposes, revenue data for fiscal years 1998 through 2001 have been restated for the effects of reclassifications of the State's previously reported Unclaimed Funds Expendable Trust Fund to the General Fund. Accordingly, prior to fiscal year 2002, escheat property revenue had not been reported in the General Fund.
- Current expenditures presented for fiscal years 1998 through 2001 have been restated to include amounts previously reported as "Transfers to Component Units."
- For comparative purposes, data for fiscal years 1998 through 2003 have not been restated for the effects of reclassifying the "Intergovernmental" expenditure function to other functions.

2002	2001	2000	1999	1998
\$ 7,129,512	\$ 7,446,990	\$ 7,243,856	\$ 6,389,926	\$ 6,107,084
6,066,023	5,922,333	5,919,129	5,539,780	5,277,997
1,276,159	1,604,402	1,604,604	1,718,482	1,862,497
281,290	282,481	287,709	290,563	296,627
556,946	590,225	573,888	578,993	548,188
100,858	101,352	96,954	94,789	96,411
51,211	40,895	45,738	43,586	38,947
4,563,370	4,508,747	3,993,184	3,658,824	3,385,998
52,628	—	—	—	—
145,483	234,590	287,937	399,520	381,574
273,750	197,029	189,241	183,221	161,077
20,497,230	20,929,044	20,242,240	18,897,684	18,156,400
20,547,608	19,522,704	17,894,051	16,711,404	15,882,598
1,227,313	1,189,845	1,081,828	1,033,066	982,955
—	—	24,862	15,607	38,806
2,286	2,276	2,320	1,794	1,831
21,777,207	20,714,825	19,003,061	17,761,871	16,906,190
(1,279,977)	214,219	1,239,179	1,135,813	1,250,210
400,000	—	—	—	—
6,029	—	—	—	—
1,451	—	2,668	1,575	4,737
617,185	207,488	142,267	201,151	180,176
(977,731)	(1,061,119)	(1,302,412)	(1,308,827)	(1,142,014)
46,934	(853,631)	(1,157,477)	(1,106,101)	(957,101)
(1,233,043)	(639,412)	81,702	29,712	293,109
2,108,395	2,521,051	2,640,072	2,611,195	2,319,058
105	(741)	511	(835)	(972)
—	—	—	—	—
\$ 875,457	\$ 1,880,898	\$ 2,722,285	\$ 2,640,072	\$ 2,611,195

STATE OF OHIO

TAX REVENUES OF GOVERNMENTAL FUNDS BY MAJOR SOURCE FOR THE LAST TEN FISCAL YEARS

*(modified accrual basis of accounting)
(dollars in thousands)*

<u>Year</u>	<u>State Income Taxes</u>	<u>State Sales Taxes</u>	<u>Total</u>
2007	\$ 9,700,901	\$ 7,755,605	\$ 17,456,506
2006	9,726,268	7,623,513	17,349,781
2005	9,398,979	8,135,552	17,534,531
2004	8,479,900	7,915,493	16,395,393
2003	8,210,130	6,470,643	14,680,773
2002	7,982,461	6,385,248	14,367,709
2001	8,302,892	6,248,705	14,551,597
2000	8,098,155	6,233,089	14,331,244
1999	7,143,344	5,834,299	12,977,643
1998	6,828,242	5,560,402	12,388,644

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STATE OF OHIO
PERSONAL INCOME BY INDUSTRY
AND DIRECT STATE INCOME TAX RATES
FOR THE LAST TEN CALENDAR YEARS
(dollars in millions)

Industry	2006	2005	2004	2003	2002	2001
Services.....	\$ 102,092	\$ 97,988	\$ 93,224	\$ 82,694	\$ 84,835	\$ 82,306
Manufacturing.....	55,876	55,000	54,686	55,520	52,775	52,703
Government.....	44,563	43,648	42,545	38,966	37,656	35,906
Wholesale and Retail Trade.....	34,343	34,049	33,379	32,395	31,910	31,735
Finance, Insurance, and Real Estate.....	22,522	22,251	22,179	20,850	19,534	18,912
Construction.....	15,790	15,459	14,730	14,110	13,891	13,865
Transportation and Public Utilities.....	13,420	12,055	11,164	10,725	10,438	10,332
Other	92,654	84,869	84,867	87,273	80,929	79,960
Total Personal Income.....	<u>\$381,260</u>	<u>\$365,319</u>	<u>\$356,774</u>	<u>\$342,533</u>	<u>\$331,968</u>	<u>\$325,719</u>
Direct State Income Tax Rates.....	2.54%	2.66%	2.63%	2.48%	2.47%	2.46%

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis
Ohio Department of Taxation

<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$ 58,012	\$ 55,182	\$ 51,987	\$ 48,511
54,255	54,358	53,928	52,317
33,385	31,380	26,041	25,120
36,309	34,230	33,276	31,148
16,107	15,163	13,974	12,545
13,075	12,555	11,667	10,822
12,972	12,306	11,710	10,933
98,317	90,469	80,337	79,345
<u>\$322,432</u>	<u>\$305,643</u>	<u>\$282,920</u>	<u>\$270,741</u>
2.57%	2.65%	2.51%	2.51%

STATE OF OHIO
SALES TAX REVENUE BY TYPE
FOR THE LAST TEN FISCAL YEARS
(cash basis of accounting)
(dollars in thousands)

Type	2007	2006	2005	2004	2003	2002
Vendors' Sales.....	\$6,677,060	\$6,621,450	\$6,957,051	\$6,601,482	\$5,630,678	\$5,322,500
Motor Vehicles and Watercraft.....	978,029	994,121	1,122,538	1,183,196	1,024,026	965,261
Alcoholic Beverages.....	29,132	27,118	26,878	24,918	20,341	19,562
Delinquencies and Assessments.....	46,366	30,354	24,867	25,099	26,389	36,215
Permissive Taxes:						
County Levies.....	13,921	13,044	12,157	11,984	11,360	10,910
Transit Authorities.....	2,940	2,929	2,907	2,835	2,764	2,662
Total Sales Tax Revenue.....	<u>\$7,747,448</u>	<u>\$7,689,016</u>	<u>\$8,146,398</u>	<u>\$7,849,514</u>	<u>\$6,715,558</u>	<u>\$6,357,110</u>

Source:
Ohio Office of Budget and Management

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
\$4,710,651	\$4,680,221	\$4,385,969	\$4,131,889
1,470,319	1,474,251	1,352,136	1,263,594
18,671	17,547	16,626	16,036
37,468	47,663	66,853	136,680
10,854	10,737	10,218	9,843
2,748	2,670	2,497	2,360
<u>\$6,250,711</u>	<u>\$6,233,089</u>	<u>\$5,834,299</u>	<u>\$5,560,402</u>

STATE OF OHIO

RATES FOR STATE INDIVIDUAL INCOME TAX AND SALES TAX FOR THE LAST TEN YEARS

MARGINAL INCOME TAX RATES BY CALENDAR YEAR

Ohio Taxable Income	2006	2005	2004	2003	2002
\$0 - \$5,000	0.681%	0.712%	0.743%	0.743%	0.743%
\$5,001 - \$10,000	1.361%	1.424%	1.486%	1.486%	1.486%
\$10,001 - \$15,000	2.722%	2.847%	2.972%	2.972%	2.972%
\$15,001 - \$20,000	3.403%	3.559%	3.715%	3.715%	3.715%
\$20,001 - \$40,000	4.083%	4.270%	4.457%	4.457%	4.457%
\$40,001 - \$80,000	4.764%	4.983%	5.201%	5.201%	5.201%
\$80,001 - \$100,000	5.444%	5.693%	5.943%	5.943%	5.943%
\$100,001 - \$200,000	6.320%	6.610%	6.900%	6.900%	6.900%
\$200,001 & above	6.870%	7.185%	7.500%	7.500%	7.500%

SALES TAX RATES BY FISCAL YEAR

	2007	2006	2005	2004	2003
Base State Sales Tax Rates	5.50%	5.50%	6.00%	6.00%	5.00%

Source:
Ohio Department of Taxation

2001	2000	1999	1998	1997
0.743%	0.691%	0.716%	0.673%	0.713%
1.486%	1.383%	1.432%	1.347%	1.426%
2.972%	2.766%	2.864%	2.694%	2.853%
3.715%	3.458%	3.580%	3.368%	3.566%
4.457%	4.148%	4.295%	4.040%	4.279%
5.201%	4.841%	5.012%	4.715%	4.993%
5.943%	5.531%	5.727%	5.388%	5.706%
6.900%	6.422%	6.650%	6.255%	6.624%
7.500%	6.980%	7.228%	6.799%	7.201%

2002	2001	2000	1999	1998
5.00%	5.00%	5.00%	5.00%	5.00%

STATE OF OHIO
STATE INDIVIDUAL INCOME TAX RATES
FOR THE LAST TEN CALENDAR YEARS

Year	Top Rate for Income in Excess of \$200,000	Personal Exemption for Taxpayer and Spouse	Dependent Exemption	Exemption Credit per Taxpayer, Spouse, and Dependent	Average Effective Rate ^(A)
2006	6.870%	\$1,400	\$1,400	\$20	2.54%
2005	7.185%	1,350	1,350	20	2.66%
2004	7.500%	1,300	1,300	20	2.63%
2003	7.500%	1,250	1,250	20	2.48%
2002	7.500%	1,200	1,200	20	2.47%
2001	7.500%	1,150	1,150	20	2.46%
2000	6.980%	1,100	1,100	20	2.57%
1999	7.228%	1,050	1,050	20	2.65%
1998	6.799%	950	1,050	20	2.51%
1997	7.201%	850	1,050	20	2.51%

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis
Ohio Department of Taxation

Note:

(A) The average effective rate is calculated by dividing individual income tax revenue (cash basis) for the subsequent fiscal year by personal income for the calendar year.

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STATE OF OHIO

STATE INDIVIDUAL INCOME TAX RETURNS AND LIABILITY BY INCOME LEVEL FOR TAX YEAR 2005 WITH COMPARATIVES FOR TAX YEAR 1996 (NINE YEARS AGO)

2005 TAX YEAR (most recent information available)			
Income Level	Federal Adjusted Gross Income (in thousands)	Ohio Tax Returns	
		Number	Percentage of Total Returns
\$200,001 & Above	\$114,117,796	115,967	2.17%
\$100,001-\$200,000	45,179,949	346,017	6.48%
\$80,001-\$100,000	27,700,569	311,267	5.83%
\$40,001-\$80,000	78,209,002	1,376,246	25.77%
\$20,001-\$40,000	41,270,799	1,405,171	26.31%
\$15,001-\$20,000	7,490,482	428,502	8.02%
\$10,001-\$15,000	5,483,743	439,075	8.22%
\$5,001-\$10,000	3,438,492	461,227	8.64%
\$5,000 & Under	1,101,508	457,382	8.56%
	<u>\$323,992,340</u>	<u>5,340,854</u>	<u>100.00%</u>
1996 TAX YEAR			
Income Level	Federal Adjusted Gross Income (in thousands)	Ohio Tax Returns	
		Number	Percentage of Total Returns
\$200,001 & Above	\$42,267,779	59,227	1.15%
\$100,001-\$200,000	19,596,518	148,196	2.89%
\$80,001-\$100,000	12,410,524	140,101	2.73%
\$40,001-\$80,000	63,522,227	1,155,049	22.51%
\$20,001-\$40,000	43,223,769	1,499,611	29.22%
\$15,001-\$20,000	9,036,676	517,101	10.08%
\$10,001-\$15,000	6,642,719	530,975	10.35%
\$5,001-\$10,000	3,902,320	521,170	10.16%
\$5,000 & Under	1,481,954	559,602	10.91%
	<u>\$202,084,486</u>	<u>5,131,032</u>	<u>100.00%</u>

Source:
Ohio Department of Taxation

Note:

(A) The effective tax rate is calculated by dividing Ohio income tax receipts by federal adjusted gross income.

Ohio Income Tax Liability		
Tax Receipts (in thousands)	Percentage of Total Taxes	Effective Tax Rate (A)
\$2,993,773	33.50%	2.62%
1,825,088	20.42%	4.04%
957,478	10.71%	3.46%
2,244,990	25.12%	2.87%
819,165	9.17%	1.98%
72,880	0.82%	0.97%
23,232	0.26%	0.42%
95	0.00%	0.00%
428	0.00%	0.04%
<u>\$8,937,129</u>	<u>100.00%</u>	<u>2.76%</u>

Ohio Income Tax Liability		
Tax Receipts (in thousands)	Percentage of Total Taxes	Effective Tax Rate (A)
\$1,452,246	26.02%	3.44%
792,890	14.20%	4.05%
431,677	7.73%	3.48%
1,835,491	32.88%	2.89%
904,792	16.22%	2.09%
105,099	1.88%	1.16%
46,099	0.83%	0.69%
12,983	0.23%	0.33%
616	0.01%	0.04%
<u>\$5,581,893</u>	<u>100.00%</u>	<u>2.76%</u>

STATE OF OHIO

WORKERS' COMPENSATION ENTERPRISE FUND

ACTIVE EMPLOYERS, PREMIUM AND ASSESSMENT INCOME

AND ACTUAL AVERAGE COLLECTED PREMIUM RATE

FOR THE LAST TEN FISCAL YEARS

	2007	2006	2005	2004	2003	2002
Active Employers by Type						
Private.....	270,499	283,038	283,733	283,620	278,494	272,195
Public (Local).....	3,783	3,771	3,765	3,733	3,717	3,687
Public (State).....	126	126	129	126	129	128
Self-Insured.....	1,139	1,136	1,127	1,104	1,092	1,181
Black Lung.....	37	36	37	36	36	37
Marine Fund.....	95	91	82	90	87	78
Total.....	<u>275,679</u>	<u>288,198</u>	<u>288,873</u>	<u>288,709</u>	<u>283,555</u>	<u>277,306</u>
Premium & Assessment Income						
<i>(dollars in thousands)</i>						
Premium Income.....	\$1,802,634	\$1,762,823	\$1,732,563	\$1,743,766	\$1,723,294	\$1,880,463
Assessment Income.....	2,526,728	410,504	536,641	488,889	508,039	482,222
Provision for Uncollectibles.....	<u>(58,429)</u>	<u>(70,038)</u>	<u>(68,070)</u>	<u>(105,873)</u>	<u>(56,395)</u>	<u>(66,553)</u>
Total Premium & Assessment Income.....	<u>\$4,270,933</u>	<u>\$2,103,289</u>	<u>\$2,201,134</u>	<u>\$2,126,782</u>	<u>\$2,174,938</u>	<u>\$2,296,132</u>
Actual Average Collected Premium Rate per \$100 of Payroll:						
Private Employers.....	\$1.67	\$1.74	\$1.77	\$1.71	\$1.65	\$1.65
Public Employers-Taxing Districts....	1.71	1.60	1.77	1.74	1.66	1.53

Sources:

Ohio Bureau of Workers' Compensation Year-End Statistics Report

Ohio Bureau of Workers' Compensation Actuarial Report

Note:

In June 2007, House Bill 100 passed granting BWC the authority to assess employers in future periods for amounts needed to fund the Disabled Worker's Relief Fund. The net impact of this change was a \$1.9 billion increase in assessment income during fiscal year 2007.

2001	2000	1999	1998
268,485	268,539	263,384	269,637
3,655	3,649	3,809	3,793
129	127	123	124
1,163	1,327	1,245	1,210
39	37	41	42
97	93	86	120
<u>273,568</u>	<u>273,772</u>	<u>268,688</u>	<u>274,926</u>

\$1,606,123	\$2,287,884	\$1,642,210	\$1,435,927
414,935	432,398	389,817	391,690
<u>(65,454)</u>	<u>(77,270)</u>	<u>(29,387)</u>	<u>2,442</u>
<u>\$1,955,604</u>	<u>\$2,643,012</u>	<u>\$2,002,640</u>	<u>\$1,830,059</u>

\$1.69	\$1.83	\$2.00	\$2.02
1.49	1.41	1.46	1.65

STATE OF OHIO

LOTTERY COMMISSION ENTERPRISE FUND

TICKET SALES BY MAJOR GAME TYPE

FOR THE LAST TEN FISCAL YEARS

(dollars in millions)

	2007	2006	2005	2004	2003	2002
Online Games:						
Pick 3.....	\$ 370.9	\$ 377.3	\$ 387.7	\$ 396.8	\$ 401.8	\$ 409.2
Pick 4.....	183.0	175.7	170.1	165.2	154.2	154.6
Buckeye 5/Rolling Cash 5	72.9	72.6	74.8	66.6	68.9	62.4
Super Lotto/Classic Lotto*	21.8	76.3	113.0	143.8	160.7	297.9
Classic Lotto*.....	21.8	—	—	—	—	—
Raffle to Riches**	17.8	—	—	—	—	—
Kicker.....	21.3	21.6	19.9	24.5	27.3	45.0
Mega Millions.....	196.1	223.4	176.4	191.8	176.2	16.5
Total Online Games.....	905.6	946.9	941.9	988.7	989.1	985.6
Instant Games.....	1,353.8	1,274.0	1,217.2	1,166.0	1,089.1	997.5
Total Ticket Sales.....	<u>\$ 2,259.4</u>	<u>\$ 2,220.9</u>	<u>\$ 2,159.1</u>	<u>\$ 2,154.7</u>	<u>\$ 2,078.2</u>	<u>\$ 1,983.1</u>

Source: Ohio Lottery Commission

Notes:

* - In January 2007, the Classic Lotto game replaced the Super Lotto game.

** - Raffle to Riches was a new game started in 2007.

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
\$ 419.0	\$ 427.3	\$ 399.4	\$ 421.1
150.7	144.6	125.1	124.0
56.5	62.2	69.9	73.5
262.5	336.6	364.4	384.9
—	—	—	—
—	—	—	—
42.9	52.9	57.2	60.5
—	—	—	—
<u>931.6</u>	<u>1,023.6</u>	<u>1,016.0</u>	<u>1,064.0</u>
<u>988.3</u>	<u>1,126.8</u>	<u>1,128.7</u>	<u>1,131.8</u>
<u><u>\$ 1,919.9</u></u>	<u><u>\$ 2,150.4</u></u>	<u><u>\$ 2,144.7</u></u>	<u><u>\$ 2,195.8</u></u>

STATE OF OHIO
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS

<i>(dollars in thousands)</i>					
Governmental Activities					
As of June 30,	General Obligation Bonds	Revenue Bonds	Special Obligation Bonds	Certificates of Participation	Capital Leases
2007	\$ 7,583,266	\$ 811,910	\$ 2,966,105	\$ 122,182	\$ 18,737
2006	6,893,521	720,675	3,317,325	90,389	3,366
2005	6,039,203	591,888	3,699,936	92,142	2,471
2004	5,420,711	607,958	3,914,168	6,480	3,460
2003	4,603,842	450,598	4,093,614	7,370	4,888
2002	3,771,129	297,638	4,389,102	9,900	3,933
2001	3,034,037	218,900	4,731,842	12,305	4,722
2000	2,461,673	232,785	4,973,657	14,590	6,190
1999	1,962,402	224,760	5,062,344	16,765	6,087
1998	1,568,183	236,805	4,831,558	18,615	14,035

Note:

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

(dollars in thousands)

<u>Business-Type Activities</u>				
<u>Revenue Bonds</u>	<u>Capital Leases</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 115,740	\$ 22	\$ 11,617,962	3.05%	\$ 1,012
135,215	12	11,160,503	3.06%	974
151,063	205	10,576,908	2.96%	923
158,578	30,368	10,141,723	2.96%	887
167,310	44,151	9,371,773	2.82%	821
190,723	57,171	8,719,596	2.68%	766
202,614	199	8,204,619	2.54%	722
213,963	3,072	7,905,930	2.59%	697
223,679	3,733	7,499,770	2.65%	663
232,147	16,674	6,918,017	2.56%	613

STATE OF OHIO

RATIOS OF GENERAL AND SPECIAL OBLIGATION BONDED DEBT OUTSTANDING FOR THE LAST TEN FISCAL YEARS

As of June 30,	Bonded Debt (dollars in thousands)					Per Capita Net Bonded Debt
	General Obligation Bonds	Special Obligation Bonds	Less Amount Reserved for Debt Service	Net Bonded Debt	Percentage of Personal Income	
2007	\$7,583,266	\$2,966,105	\$11,680	\$10,537,691	2.76%	\$918
2006	6,893,521	3,317,325	10,994	10,199,852	2.79%	890
2005	6,039,203	3,699,936	39,877	9,699,262	2.72%	846
2004	5,420,711	3,914,168	71,736	9,263,143	2.70%	810
2003	4,603,842	4,093,614	102,055	8,595,401	2.59%	753
2002	3,771,129	4,389,102	94,323	8,065,908	2.48%	708
2001	3,034,037	4,731,842	108,591	7,657,288	2.37%	674
2000	2,461,673	4,973,657	112,300	7,323,030	2.40%	646
1999	1,962,402	5,062,344	118,549	6,906,197	2.44%	611
1998	1,568,183	4,831,558	141,230	6,258,511	2.31%	555

Note:

This table includes general and special obligation bonds for which debt service payments have been made from the following combining funds in the Debt Service and Capital Projects Funds. Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

Debt Service Fund:

- Coal Research/Development General Obligations
- Highway General Obligations
- Local Infrastructure Improvements General Obligations
- State Projects General Obligations
- Highway Capital Improvements General Obligations
- Higher Education Capital Facilities General Obligations
- Common Schools Capital Facilities General Obligations
- Conservation Projects General Obligations
- Third Frontier Research/Development General Obligations
- Job Ready Site Development General Obligations
- Chapter 154 Special Obligations
- Higher Education Facilities Special Obligations**
- Mental Health Facilities Special Obligations**
- Parks and Recreation Facilities Special Obligations**
- School Building Program Special Obligations
- Ohio Building Authority Special Obligations
- Ohio Public Facilities Commission Special Obligations

Capital Projects Fund:

- Mental Health/Mental Retardation Facilities Improvements
- Parks and Recreation Improvements
- Adult Correctional Building Improvements
- Highway Safety Building Improvements
- Ohio Parks and Natural Resources
- Highway Capital Improvement
- Administrative Service Building Improvements
- Youth Services Building Improvements

** - The activity previously reported in these Debt Service Funds is now reported in the Chapter 154 Special Obligations Fund

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STATE OF OHIO

ANNUAL LIMITATION ON DEBT SERVICE EXPENDITURES (BUDGETARY BASIS) FOR THE LAST TEN FISCAL YEARS (dollars in thousands)

	2007	2006	2005	2004	2003
Debt Service Expenditures.....	\$ 1,216,382	\$ 1,128,592	\$ 1,097,800	\$ 1,013,200	\$ 959,490
General Revenue Fund (GRF) Revenues and Transfers from the Lottery Enterprise Fund.....	\$26,447,719	\$26,492,278	\$26,195,600	\$24,678,900	\$23,055,920
Calculation of Annual 5% Debt Service Cap.....	\$ 1,322,386	\$ 1,324,614	\$ 1,309,780	\$ 1,233,945	\$ 1,152,796
Amount Under the Debt Service Expenditure Cap.....	\$ 106,004	\$ 196,022	\$ 211,980	\$ 220,745	\$ 193,306
Ratio of Debt Service Expenditures to Total GRF Revenues and Lottery Transfers.....	4.60%	4.26%	4.19%	4.11%	4.16%

Limitations on Debt

A 1999 amendment to the Ohio Constitution provides an annual debt service "cap" on general obligation bonds and other direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, such bonds may not be issued if the future fiscal year debt service on the new bonds and previously issued bonds exceeds five percent of total estimated GRF revenues plus net state lottery proceeds during the fiscal year of issuance. Application of the cap may be waived in a particular instance by a three-fifths vote of each house of the General Assembly and may be changed by future constitutional amendments. Direct obligations of the State include, for example, special obligation bonds issued by the Ohio Building Authority and the Treasurer of State that are paid from GRF appropriations, but exclude bonds such as highway bonds that are paid from highway user receipts.

Source: Debt Section, Ohio Office of Budget and Management

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
\$ 926,142	\$ 918,248	\$ 871,314	\$ 843,207	\$ 771,015
\$22,072,703	\$21,921,276	\$20,711,678	\$19,736,608	\$18,833,028
\$ 1,103,635	\$ 1,096,064	\$ 1,035,584	\$ 986,830	\$ 941,651
\$ 177,493	\$ 177,816	\$ 164,270	\$ 143,623	\$ 170,636
4.20%	4.19%	4.21%	4.27%	4.09%

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STATE OF OHIO
REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
(dollars in thousands)

Economic Development and Revitalization Project Revenue Bonds
Issuer: Treasurer of State

Fiscal Year	Liquor Control Enterprise Fund			Debt Service Requirements			
	Gross Liquor Revenues	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2007	\$639,664	\$443,708	\$195,956	\$15,445	\$23,810	\$39,255	4.99
2006	606,905	422,577	184,328	10,950	20,914	31,864	5.78
2005	556,213	400,878	155,335	9,130	19,170	28,300	5.49
2004	520,161	374,275	145,886	8,195	15,627	23,822	6.12
2003	493,195	354,318	138,877	5,415	11,898	17,313	8.02
2002	470,515	338,926	131,589	5,060	11,074	16,134	8.16
2001	454,268	327,083	127,185	4,740	11,392	16,132	7.88
2000	428,085	310,620	117,465	4,450	11,685	16,135	7.28
1999	397,018	289,853	107,165	4,175	11,952	16,127	6.65
1998	380,791	276,085	104,706	3,790	12,189	15,979	6.55

Infrastructure Bank Revenue Bonds
Issuer: Treasurer of State

Fiscal Year	Highway Operating Fund			Debt Service Requirements			
	Gross Revenues(A)	Direct Operating Expenses	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2007	\$92,167	N/A	\$92,167	\$80,520	\$18,876	\$99,396	0.93
2006	73,373	N/A	73,373	60,840	13,628	74,468	0.99
2005	66,592	N/A	66,592	53,045	14,020	67,065	0.99
2004	65,542	N/A	65,542	38,380	11,459	49,839	1.32
2003	49,409	N/A	49,409	37,965	11,653	49,618	1.00
2002	27,414	N/A	27,414	20,690	7,417	28,107	0.98
2001	11,454	N/A	11,454	7,825	3,606	11,431	1.00
2000	10,140	N/A	10,140	6,320	3,816	10,136	1.00
1999	10,931	N/A	10,931	6,775	4,001	10,776	1.01

(continued)

Notes:

(A) The State first issued the Infrastructure Bank Revenue Bonds in fiscal year 1999. The gross revenue for these bonds includes GARVEE receipts, which stands for Grant Anticipation Revenue Vehicles, and other revenue. GARVEE receipts are capital market borrowings repaid by federal transportation funds deposited in the State's Highway Operating Fund.

STATE OF OHIO
REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
(dollars in thousands)
(continued)

Ohio Building Authority Revenue Bonds

Fiscal Year	Ohio Building Authority Enterprise Fund			Debt Service Requirements			
	Gross Revenues(B)	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2007	\$27,581	\$27,923	(\$342)	\$4,653	\$149	\$4,802	N/A
2006	27,980	25,165	2,815	2,047	298	2,345	1.20
2005	27,257	26,562	695	1,691	408	2,099	0.33
2004	26,484	26,881	(397)	3,730	5,544	9,274	N/A
2003	27,388	29,330	(1,942)	3,531	1,394	4,925	N/A
2002	32,488	32,031	457	3,359	1,565	4,924	0.09
2001	31,106	30,598	508	3,194	1,728	4,922	0.10
2000	30,999	33,862	(2,863)	3,039	1,882	4,921	N/A
1999	29,797	29,097	700	2,893	2,029	4,922	0.14
1998	31,018	25,270	5,748	2,736	2,264	5,000	1.15

Bureau of Workers' Compensation Revenue Bonds
Issuer: Ohio Building Authority

Fiscal Year	Workers' Compensation Enterprise Fund			Debt Service Requirements			
	Gross Revenues(B)	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2007	\$5,200,066 **	\$2,749,217	\$2,450,849	\$14,150	\$5,901	\$20,051	122.23
2006	2,882,383	2,002,722	879,661	13,190	6,472	19,662	44.74
2005	3,201,561	3,229,197	(27,636)	5,300	6,578	11,878	N/A
2004	3,388,523	3,056,227	332,296	—	6,183	6,183	53.74
2003	2,759,594	4,070,231	(1,310,637)	10,000	8,175	18,175	N/A
2002	1,946,105	4,547,191	(2,601,086)	9,000	8,571	17,571	N/A
2001	2,549,227	4,460,581	(1,911,354)	8,000	8,915	16,915	N/A
2000	4,361,511	3,128,723	1,232,788	7,000	9,209	16,209	76.06
1999	3,625,174	2,462,056	1,163,118	6,000	9,455	15,455	75.26
1998	5,115,778	5,891,409	(775,631)	5,000	9,655	14,655	N/A

Notes (continued):

(B) Gross revenues consist of operating revenues and investment income.

** - In June 2007, House Bill 100 passed granting BWC the authority to assess employers in future periods for amounts needed to fund the Disabled Worker's Relief Fund. The net impact of this change was a \$1.9 billion increase in operating revenues during fiscal year 2007.

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STATE OF OHIO
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

Calendar Year	Population (in thousands)				Per Capita Personal Income		
	U.S.	Change from Prior Period	Ohio	Change from Prior Period	U.S.	Ohio	Ohio as a Percentage of U.S.
2006	299,398	2,988	11,478	14	\$36,276	\$33,338	91.9%
2005	296,410	2,755	11,464	5	34,495	31,867	92.4%
2004	293,655	2,866	11,459	21	33,041	31,135	94.2%
2003	290,789	2,848	11,438	28	31,487	29,947	95.1%
2002	287,941	2,839	11,410	22	30,814	29,094	94.4%
2001	285,102	2,910	11,388	24	30,575	28,602	93.5%
2000	282,192	3,152	11,364	29	29,845	28,373	95.1%
1999	279,040	3,186	11,335	23	27,939	26,965	96.5%
1998	275,854	3,207	11,312	35	26,883	25,011	93.0%
1997	272,647	3,253	11,277	34	25,334	24,008	94.8%

Sources:

U.S. Census Bureau for population information
Bureau of Economic Analysis for personal income and employment information
Ohio Department of Job and Family Services for unemployment rates
Ohio Department of Education for school enrollment
Ohio Department of Public Safety for motor vehicle registrations

Civilian Labor Force

Ohioans Employed	Ohio's Unemployment Rate	Public School Enrollment in Ohio <i>(in thousands)</i>	Motor Vehicles Registered in Ohio
6,893,966	5.5%	1,835	12,127,645
6,792,314	5.9%	1,845	12,017,517
6,732,896	6.1%	1,844	12,192,202
6,668,862	6.1%	1,838	12,083,529
6,688,303	5.7%	1,831	12,064,420
6,757,667	4.3%	1,835	11,888,533
6,835,688	4.1%	1,836	11,740,513
6,746,632	4.3%	1,842	11,581,700
6,660,094	4.3%	1,847	11,399,641
6,540,651	4.6%	1,845	11,196,310

STATE OF OHIO
PRINCIPAL EMPLOYERS
FOR CALENDAR YEARS 2006 AND 1997

Employer	2006			1997		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
United States Government	76,740	1	1.11%	84,152	1	1.29%
State of Ohio	58,570	2	0.85%	61,923	2	0.95%
Wal-Mart Stores	50,000	3	0.73%	17,500	9	0.27%
Cleveland Clinic Health System	34,800	4	0.50%	19,500	6	0.30%
Kroger Company	34,130	5	0.50%	25,000	4	0.38%
University Hospitals Health System	25,000	6	0.36%			
The Ohio State University	24,400	7	0.35%	21,727	5	0.33%
Catholic Healthcare Partners	23,000	8	0.33%			
General Motors Corporation	19,300	9	0.28%	60,000	3	0.92%
General Electric Company	17,000	10	0.25%	18,500	8	0.28%
JP Morgan Chase & Co	17,000	10	0.25%			
Ford Motor Company				18,800	7	0.29%
Honda Motor Company, LTD				17,500	9	0.27%
Banc One Corporation				15,500	10	0.24%

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis
U.S. Census Bureau
Ohio Department of Development, Office of Strategic Research
Ohio Department of Administrative Services
The Ohio State University, University Resource Planning and Institutional Analysis

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STATE OF OHIO

FULL-TIME AND PART-TIME PERMANENT STATE EMPLOYEES DURING THE MONTH OF JUNE BY FUNCTION/PROGRAM FOR THE LAST TEN FISCAL YEARS

Function/Program	Number of Employees				
	2007	2006	2005	2004	2003
Primary, Secondary and Other Education.....	1,207	1,194	1,186	1,201	1,168
Higher Education Support.....	98	91	81	83	94
Public Assistance and Medicaid.....	3,314	3,299	3,272	3,115	3,621
Health and Human Services.....	10,549	10,665	11,037	11,144	10,984
Justice and Public Protection.....	23,682	23,599	23,683	23,319	23,705
Environmental Protection and Natural Resources.....	3,086	3,095	3,146	3,232	3,253
Transportation.....	5,711	5,831	5,808	5,819	5,899
General Government.....	5,294	5,419	5,362	5,400	5,350
Community and Economic Development.....	914	955	1,029	1,007	1,009
Workers' Compensation.....	2,549	2,548	2,668	2,675	2,759
Lottery Commission.....	329	331	335	339	345
Unemployment Compensation.....	535	564	590	613	(A)
Other.....	958	979	972	1,018	1,060
Total.....	<u>58,226</u>	<u>58,570</u>	<u>59,169</u>	<u>58,965</u>	<u>59,247</u>

Source:
Ohio Department of Administrative Services

Note:

(A) For fiscal year 2003 and prior, the number of individuals employed in the Unemployment Compensation Program is included in the number of employees reported from the Public Assistance and Medicaid Function.

2002	2001	2000	1999	1998
1,182	1,129	1,052	1,001	973
89	83	78	79	82
3,493	3,673	3,746	3,791	3,901
11,036	11,443	11,511	11,682	11,866
24,138	25,627	25,229	24,797	23,992
3,311	3,514	3,492	3,510	3,585
5,905	5,912	6,064	6,396	6,501
5,439	5,537	5,382	5,386	5,342
1,095	1,097	1,077	1,052	1,076
2,815	2,938	3,029	3,044	3,163
358	358	352	359	363
(A)	(A)	(A)	(A)	(A)
1,080	1,056	992	958	951
<u>59,941</u>	<u>62,367</u>	<u>62,004</u>	<u>62,055</u>	<u>61,795</u>

STATE OF OHIO
OPERATING INDICATORS BY FUNCTION/PROGRAM
FOR THE LAST TEN FISCAL YEARS

Function/Program	2007	2006	2005	2004	2003
<i>Primary, Secondary and Other Education</i>					
Ohio Department of Education:					
Fall Student Enrollment (Public Schools).....	1,835,188	1,842,943	1,845,351	1,843,898	1,838,068
Public School Districts (A).....	611	610	612	611	611
Community School Districts (A).....	309	293	248	164	129
Vocational School Districts.....	49	49	49	49	49
High School Graduation Rate (by School year).....	(C)	86.1%	86.2%	85.9%	84.3%
<i>Higher Education Support</i>					
Ohio Board of Regents:					
Student Enrollment at State-Assisted Institutions.....	457,322	455,786	457,333	457,281	450,470
State-Assisted Institutions.....	38	39	39	38	38
Ohio Instructional Grant Recipients (D).....	83,942	106,310	104,512	102,227	100,737
Ohio College Opportunity Grant (D).....	25,567	—	—	—	—
Student Choice Grant Program Recipients.....	59,400	58,656	57,621	55,859	54,959
<i>Public Assistance and Medicaid</i>					
Ohio Department of Job and Family Services:					
Individuals with Medicaid Coverage.....	1,736,971	1,730,544	1,687,465	1,618,900	1,527,076
Individuals Receiving Cash Assistance (OWF).....	169,135	180,253	190,265	193,943	194,320
Individuals on ODJFS Medicaid Waiver.....	11,606	10,135	10,391	10,066	9,433
Ohio Department of Aging:					
Individuals on PASSPORT Waiver.....	33,943	33,279	31,656	29,242	26,698
Ohio Department of Mental Retardation and Developmental Disabilities:					
Individuals on DMR Waiver.....	16,533	14,978	12,438	10,828	9,859
<i>Health and Human Services</i>					
Ohio Department of Alcohol & Drug Addiction Services:					
Clients Treated (F).....	(C)	95,081	93,919	89,389	89,894
Ohio Department of Aging:					
Clients Served-PASSPORT.....	33,943	33,042	31,499	29,093	27,055
Clients Served-Congregate Meals.....	65,366	71,522	70,817	75,279	77,478
Clients Served-Home Delivered Meals.....	44,607	52,317	39,926	46,304	44,853
Clients Served-Transportation Provided.....	29,800	32,558	29,756	30,517	31,421
Ohio Department of Health:					
Average Monthly Caseload-Women, Infants, & Children.....	279,735	276,757	272,632	267,300	255,804
Ohio Department of Mental Health:					
Clients Served.....	7,419	7,728	7,669	7,486	7,427
Facilities' Admissions.....	6,424	6,715	6,584	6,399	6,307
Facilities' Average Daily Residence Population.....	1,053	1,050	1,034	1,046	1,056
Ohio Department of Mental Retardation and Developmental Disabilities:					
Individuals Served (G).....	343,955	319,930	319,965	335,814	342,678
Facilities' Average Daily Residence Population.....	1,603	1,605	1,659	2,826	2,979
<i>Justice and Public Protection</i>					
Ohio Department of Public Safety:					
Crashes Investigated.....	(C)	70,893	78,952	82,964	84,340
Total Arrests.....	(C)	(C)	(C)	(C)	900,213
Ohio Department of Rehabilitation and Correction:					
Inmate Population.....	49,199	46,356	43,928	43,889	45,216

2002	2001	2000	1999	1998
1,830,958	1,834,888	1,836,491	1,842,102	1,846,984
611	611	611	611	611
93	71	48	15	(B)
49	49	49	49	49
82.7%	81.1%	80.6%	80.6%	80.2%
445,879	428,880	415,948	420,458	408,648
38	38	38	38	38
95,070	88,473	92,070	86,020	95,606
—	—	—	—	—
53,646	51,966	50,254	48,400	46,570
1,380,196	1,676,157	1,409,705	1,387,581	1,410,020
198,451	215,821	255,229	294,035	(E)
7,608	8,062	7,531	6,869	5,049
24,689	24,488	22,720	21,920	21,096
6,410	5,661	5,593	5,588	4,367
92,941	80,216	73,024	97,007	95,221
24,742	24,488	22,720	21,920	21,096
75,883	68,859	66,921	65,547	63,494
44,726	39,721	39,339	37,533	38,281
30,670	32,951	34,519	33,514	33,743
253,923	247,092	245,195	245,994	250,815
7,775	6,990	7,223	7,153	7,007
6,641	5,847	6,006	5,950	5,727
1,084	1,109	1,156	1,187	1,187
375,503	390,130	332,351	(E)	(E)
3,017	3,079	3,154	(E)	(E)
80,641	79,204	83,493	79,364	77,071
995,817	947,785	907,198	900,238	853,057
44,729	45,505	46,619	48,171	47,808

(continued)

STATE OF OHIO
OPERATING INDICATORS BY FUNCTION/PROGRAM
FOR THE LAST TEN FISCAL YEARS
(continued)

Function/Program	2007	2006	2005	2004	2003
<i>Transportation</i>					
Ohio Department of Transportation:					
Pavement Resurfacing (in miles):					
Two-Lane.....	1,673	1,502	2,535	1,280	1,275
Four-Lane.....	506	252	563	234	233
Interstate.....	428	229	371	134	4
<i>Workers' Compensation</i>					
Ohio Bureau of Workers' Compensation:					
Claims Filed.....	171,692	185,232	197,083	207,847	229,307
Open Claims.....	1,540,543	1,664,368	1,792,944	1,930,550	2,157,516
<i>Lottery</i>					
Ohio Lottery Commission:					
Prize Awards Paid (in billions).....	\$ 1.34	\$ 1.31	\$ 1.28	\$ 1.28	\$ 1.21
Bonuses and Commissions Paid (in millions).....	\$ 140.0	\$ 139.8	\$ 133.8	\$ 132.8	\$ 137.0
Transfers to					
Lottery Profits Education Fund (in millions).....	\$ 669.3	\$ 646.2	\$ 645.1	\$ 655.6	\$ 641.4
<i>Unemployment Compensation</i>					
Ohio Department of Job and Family Services:					
Initial Claims.....	591,614	636,722	689,412	750,783	812,169
Continuing Claims.....	4,709,523	5,094,129	5,352,206	6,395,391	6,733,498

Sources: Various state agencies, as noted above.

Notes:

- (A) The number of school districts include only those with enrollment.
- (B) In fiscal year 1999, community schools began operating in the State.
- (C) Recent data from the source was not available, as of the date of publication.
- (D) In fiscal year 2007, the Ohio Instructional Grant began to be phased out and was replaced by the Ohio College Opportunity Grant.
- (E) Data for the year indicated was not readily available.
- (F) In fiscal year 2000, the Ohio Department of Alcohol & Drug Addiction Services began using the Multi-Agency Community Services Information System, which tracks clients served rather than services provided. The change in the tracking methodology resulted in the large decrease in the number of clients reported as being treated between fiscal years 1999 and 2000.
- (G) Represents clients served by the Department of Mental Health and Department of MRDD.

2002	2001	2000	1999	1998
728	753	749	(E)	(E)
147	201	104	(E)	(E)
75	103	147	(E)	(E)
234,986	261,987	280,990	285,504	294,696
2,224,466	2,299,532	2,358,462	2,402,920	2,405,116
\$ 1.15	\$ 1.11	\$ 1.27	\$ 1.26	\$ 1.24
\$ 126.6	\$ 120.2	\$ 135.0	\$ 134.6	\$ 137.8
\$ 635.2	\$ 637.0	\$ 686.0	\$ 696.3	\$ 723.9
842,819	724,569	483,674	542,961	567,135
6,895,871	4,823,773	3,521,349	3,798,915	3,705,906

STATE OF OHIO
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
FOR THE LAST TEN FISCAL YEARS

Function/Program	2007	2006	2005	2004	2003	2002
<i>Health and Human Services</i>						
Mental Retardation and Developmental Disabilities Institutions.....	10	10	12	12	12	12
Mental Health Institutions.....	9	9	9	9	9	9
<i>Justice and Public Protection</i>						
Rehabilitation and Correction Institutions.....	30	28	28	28	29	29
Youth Services Institutions.....	8	8	8	9	9	9
<i>Environmental Protection and Natural Resources</i>						
Number of State Parks.....	74	74	74	74	74	74
Area of State Parks, Natural & Wildlife Lands (in acres).....	315,381	315,611	314,646	310,964	309,271	302,983
Area of State Forest Lands (in acres).....	191,142	191,142	191,117	185,838	185,709	185,311
<i>Transportation (A)</i>						
Infrastructure Assets(B):						
Pavement (in lane-miles):						
Priority Subsystem.....	12,655	12,500	12,355	12,225	12,210	12,114
General Subsystem.....	30,118	30,168	30,207	30,246	30,317	30,487
Bridges:						
Number of Bridges.....	12,793	12,531	12,544	12,416	12,394	12,489
Deck Area (in thousand square feet).....	84,447	83,443	82,684	82,260	80,608	81,012

Sources:

Ohio Department of Mental Retardation and Developmental Disabilities
Ohio Department of Mental Health
Ohio Department of Rehabilitation and Correction
Ohio Department of Youth Services
Ohio Department of Natural Resources
Ohio Department of Transportation

Notes:

- (A) Data presented is for the calendar year.
(B) The Priority Subsystem includes the interstate highways, freeways, and multi-lane portions of the National Highway System. The General Subsystem consists of two-lane routes outside of cities.
(C) Information on infrastructure balances for years prior to fiscal year 2002 is unavailable.

2001	2000	1999	1998
12 9	12 9	12 9	12 9
30 9	30 9	29 10	29 10
73 301,681 184,383	73 300,063 184,016	73 295,378 183,499	72 293,293 182,223
(C) (C)	(C) (C)	(C) (C)	(C) (C)
(C) (C)	(C) (C)	(C) (C)	(C) (C)

